Friday, June 30, 2023	**City Council**	**Council Chambers**
10:00 AM	**Special Called Meeting Agenda**	**200 Forrest Street**

Call to Order

Declaration of Special Called Meeting

Policy Items

1. **2023-451** Acknowledge receipt of the Audited Financial Statements of the City of Hattiesburg for fiscal year ending September 30, 2022, from Topp, McWhorter, Harvey, PLLC.

Meeting Recess

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2022

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2022

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CITY OF HATTIESBURG, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
YEAR ENDED SEPTEMBER 30, 2022

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CITY OF HATTIESBURG, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS
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CITY OF HATTIESBURG, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
YEAR ENDED SEPTEMBER 30, 2022

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INTRODUCTORY SECTION (UNAUDITED)

MAYOR
Toby Barker

COUNCIL - WARD ONE	COUNCIL - WARD TWO	COUNCIL - WARD THREE	COUNCIL - WARD FOUR	COUNCIL - WARD FIVE
Jeffrey George	*Deborah Denard Delgado*	*Carter Carroll*	*Dave Ware*	*Nicholas Brown*

June 28, 2023

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, 2022. 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 3.6% over the prior year. Combined sales tax revenue consisting of general sales taxes, special sales taxes and internet sales taxes saw a significant increase of 11.2% from FY 2021. 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 2022, revenue from internet sales taxes was up 90.42% from FY 2021.

The General Fund's ending fund balance increased 26.3% from FY 2021. The increase was due to increases in revenues, such as the aforementioned increase in sales taxes, and decreases in expenditures.

2022 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 remain in compliance with the mandates, 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 2022 including the Hall Avenue East Overpass, Jaycee Park and the Hardy Street roundabout. Infrastructure improvements in the Midtown District continued and plans for re-routing traffic around the Forrest General Hospital campus moved forward. Other major transportation improvements, such as Hardy Street and Lamar Boulevard, that began in the prior fiscal year, have been completed. 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. These infrastructures 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 2022 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, 2022, the City's remaining margin for further debt issuance stands at $25,501,861. 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 G. Berch
Chief Financial Officer

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PUBLIC OFFICIALS

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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

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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, 2022, 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, 2022, 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

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

described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of 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.

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

- 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.
- 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 the 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*

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

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.

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 28, 2023 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.

TMH

Hattiesburg, Mississippi
June 28, 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, 2022. 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 2022 were as follows:

- Total net position for 2022 increased $19,507,320, or 13.31% from 2021 including a prior period adjustment of $166,816.
- Total assets of governmental activities increased $23,728,346 or 9.04% from 2021.
- Total liabilities of governmental activities increased $22,444,603 or 14.57% from 2021.
- In total, equity in cash and cash equivalents of governmental activities increased $3,981,807, or 7.13% from 2021.
- Total book value of capital assets for governmental activities increased $16,873,998, or 9.89% from fiscal year 2021.

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 2022?" 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 $19,340,504 in 2022. For 2021, Net Revenues exceeded expenses by $26,076,623. This amounts to a decrease in Net Revenue in 2022 of $6,736,119 from 2021. There are a number of factors affecting this decrease in Net Revenues:

- Overall expenses increased $6,419,679 from FY 2021 for governmental activities.
- General revenues and transfers decreased $2,905,929 primarily due to fewer projects being completed and transferred from the component unit.

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 21.93% of total revenues, property tax revenue, increased $781,403 from FY 2021. 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 29.23% of total revenue. Sales tax revenue decreased $1,833,015 from FY 2021. This represents a 5.07% decrease, which is slightly less than average primarily due to inflationary concerns.

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 $3,482,968 was received in FY 2022, 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, upgrades to a building donated to the City for a Community Arts Center, splash pads, Jaycee park and other ballfield improvements, and improvements to various parks throughout the City.

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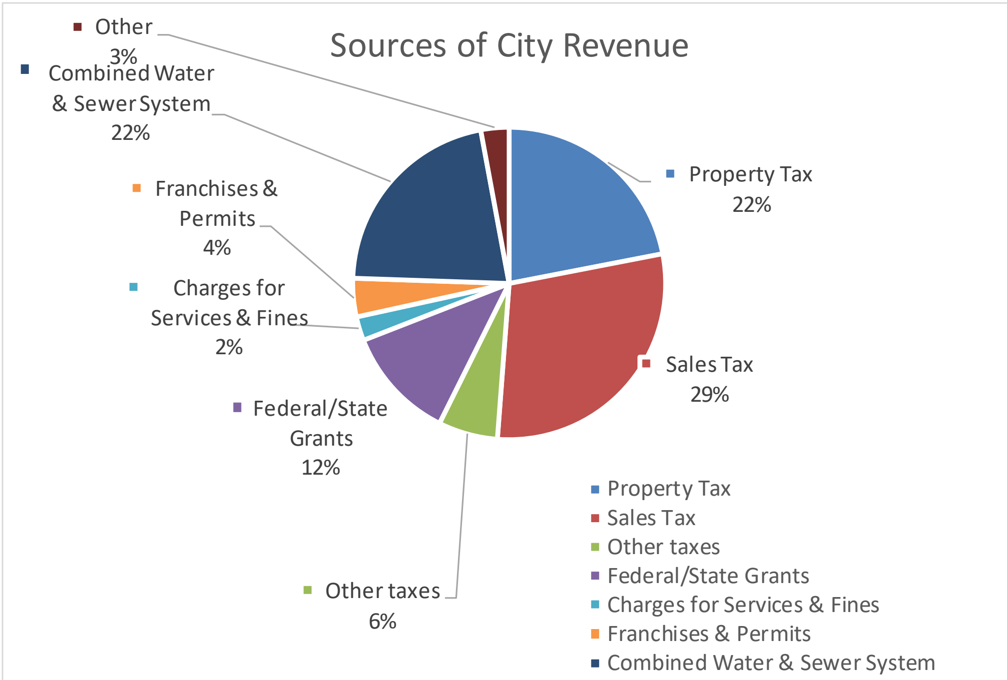
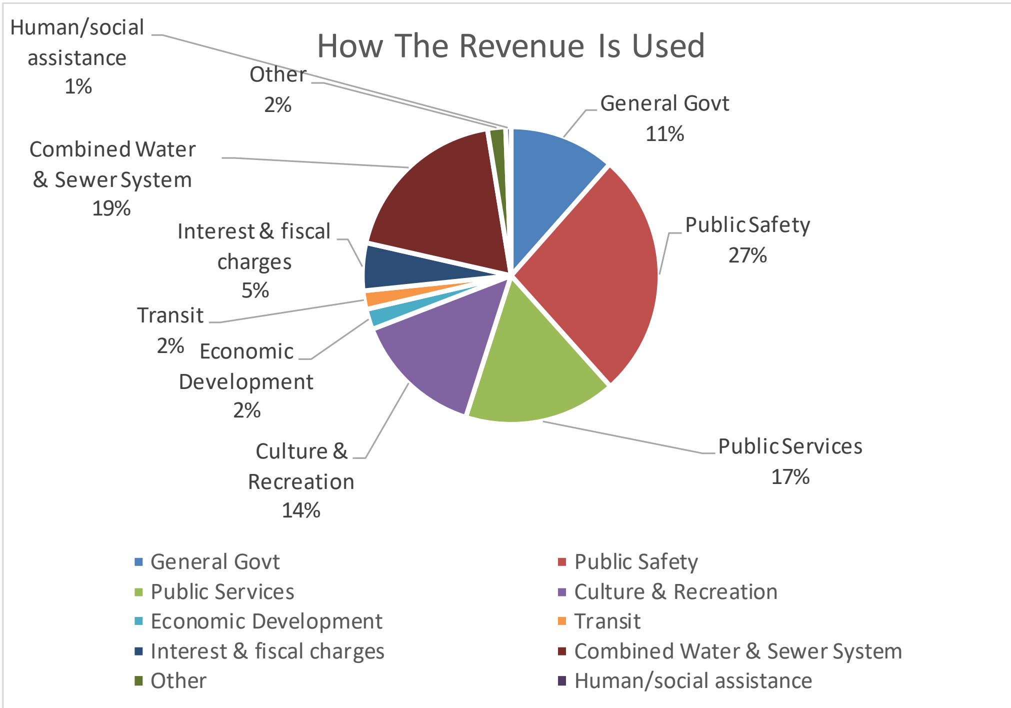
Water & Sewer - The City's Combined Water & Sewer System comprises a significant portion of the total revenues, and its revenues are used almost exclusively for water & sewer system maintenance and improvements.



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 $89,528,112 and expenditures of $100,204,969, 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 71.77% of total revenues and 64.09% of total expenses.

Total expenditures for the General Fund increased by $9,177,296, or 16.67% from FY 2021. The General Fund's ending fund balance increased by $4,590,927, or 26.27% from FY 2021.

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 $52,145 or 0.28% in FY 2022. This nominal increase is the result of differences in materials costs required for the various water and sewer line repairs.

Operating revenues increased by $1,599,057 or 6.75% in FY 2022. Revenue increases were due primarily to rate increases that were implemented in 2022.

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 2022.

Table 2 shows the changes in net position for the year ended September 30, 2022.

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 2021 of $17,704,634 is due to the completion of the Public Safety Complex and the construction of the Hall Avenue East Overpass. The increase in net pension liability from FY 2021 of $24,551,346 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 decrease in long-term liabilities, outstanding payable after one year is due to the payoff of some Water & Sewer Revenue bonds.

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TABLE 1
CITY OF HATTIESBURG'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	$ 98,664,130	$ 91,809,782	$ 17,918,051	$ 44,118,831	$ 116,582,181	$ 135,928,613
Capital assets, net	187,520,081	170,646,083	121,855,194	121,024,558	309,375,275	291,670,641
Total assets	**286,184,211**	**262,455,865**	**139,773,245**	**165,143,389**	**425,957,456**	**427,599,254**
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	9,590,602	4,663,413	768,250	395,486	10,358,852	5,058,899
Related to OPEB	2,013,636	2,326,017	170,423	195,289	2,184,059	2,521,306
Prepaid bond insurance	290,804	209,484	380,047	405,427	670,851	614,911
Total deferred outflows of resources	**11,895,042**	**7,198,914**	**1,318,720**	**996,202**	**13,213,762**	**8,195,116**
LIABILITIES						
Long-term liabilities, outstanding:						
Due within one year	3,308,652	3,984,580	5,824,517	10,992,278	9,133,169	14,976,858
Payable after one year	73,054,727	75,217,677	46,092,200	71,781,560	119,146,927	146,999,237
Other liabilities	5,552,986	4,230,499	4,243,764	3,361,151	9,796,750	7,591,650
Net pension liability	83,959,537	60,891,537	5,752,739	4,269,393	89,712,276	65,160,930
Total OPEB liability	10,647,900	9,754,906	857,489	781,911	11,505,389	10,536,817
Total liabilities	**176,523,802**	**154,079,199**	**62,770,709**	**91,186,293**	**239,294,511**	**245,265,492**
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	644,696	16,523,591	-	970,034	644,696	17,493,625
Related to OPEB	2,695,951	2,942,872	228,171	247,079	2,924,122	3,189,951
Related to contracts	-	-	341,989	397,029	341,989	397,029
Related to grants	6,437,898	-	-	-	6,437,898	-
Related to lease revenue	225,409	-	-	-	225,409	-
Unearned revenues - property taxes	23,220,000	22,873,000	-	-	23,220,000	22,873,000
Total deferred inflows of resources	**33,223,954**	**42,339,463**	**570,160**	**1,614,142**	**33,794,114**	**43,953,605**
NET POSITION						
Net investment in capital assets	113,644,022	93,576,562	70,132,697	66,705,055	183,776,719	160,281,617
Restricted	18,415,828	29,950,066	11,495,267	11,136,726	29,911,095	41,086,792
Unrestricted	(43,728,353)	(50,290,511)	(3,876,868)	(4,502,625)	(47,605,221)	(54,793,136)
Total net position	**$ 88,331,497**	**$ 73,236,117**	**$ 77,751,096**	**$ 73,339,156**	**$ 166,082,593**	**$ 146,575,273**

TABLE 2
CITY OF HATTIESBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
REVENUES						
Program revenues:						
Charges for services	$ 2,912,260	$ 3,283,403	$ 25,286,827	$ 23,687,770	$ 28,199,087	$ 26,971,173
Operating grants and contributions	4,738,050	11,008,590	-	356,025	4,738,050	11,364,615
Capital grants and contributions	8,480,701	744,993	322,567	-	8,803,268	744,993
Total program revenues	**16,131,011**	**15,036,986**	**25,609,394**	**24,043,795**	**41,740,405**	**39,080,781**
General revenues:						
Property taxes	25,755,700	24,974,297	-	-	25,755,700	24,974,297
Other taxes	46,205,049	42,507,267	-	-	46,205,049	42,507,267
Grants and contributions not restricted to specific programs	223,005	35,384	-	-	223,005	35,384
Other general revenues	2,954,621	5,726,710	464,188	276,011	3,418,809	6,002,721
Total general revenues	**75,138,375**	**73,243,658**	**464,188**	**276,011**	**75,602,563**	**73,519,669**
Total revenues	**91,269,386**	**88,280,644**	**26,073,582**	**24,319,806**	**117,342,968**	**112,600,450**
PROGRAM EXPENSES						
General government	11,296,096	8,893,046	-	-	11,296,096	8,893,046
Public safety	26,353,567	24,956,253	-	-	26,353,567	24,956,253
Public services	16,242,403	16,226,202	-	-	16,242,403	16,226,202
Other services	1,921,637	1,792,825	-	-	1,921,637	1,792,825
Mass transit	1,969,988	2,343,864	-	-	1,969,988	2,343,864
Culture and recreation	13,918,797	12,163,054	-	-	13,918,797	12,163,054
Human/social assistance	584,345	626,487	-	-	584,345	626,487
Water & Sewer	-	-	18,532,482	18,480,336	18,532,482	18,480,336
Economic development	2,181,782	1,037,317	-	-	2,181,782	1,037,317
Interest and fiscal charges	2,830,886	2,840,774	2,261,973	2,243,984	5,092,859	5,084,758
Total program expenses	**77,299,501**	**70,879,822**	**20,794,455**	**20,724,320**	**98,093,956**	**91,604,142**

TABLE 2
CITY OF HATTIESBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Increase (decrease) in net position before inclusion of transfers	$ 13,969,885	$ 17,400,822	$ 5,279,127	$ 3,595,486	$ 19,249,012	$ 20,996,308
Transfers In (Out)	958,679	5,904,315	(867,187)	(824,000)	91,492	5,080,315
Increase (decrease) in net position after inclusion of transfers	**14,928,564**	**23,305,137**	**4,411,940**	**2,771,486**	**19,340,504**	**26,076,623**
Net position - Beginning	**73,236,117**	**50,698,376**	**73,339,156**	**70,447,126**	**146,575,273**	**121,145,502**
Prior period adjustment	166,816	(767,396)	-	120,544	166,816	(646,852)
Net position - Beginning, as restated	73,402,933	49,930,980	73,339,156	70,567,670	146,742,089	120,498,650
Net position - Ending	**$ 88,331,497**	**$ 73,236,117**	**$ 77,751,096**	**$ 73,339,156**	**$ 166,082,593**	**$ 146,575,273**

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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 2022 budget of the General Fund realized an increase in ending fund balance of $4,453,135.

In June 2022, 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 2022 included paving throughout the City, new sidewalks in various sections of the City (especially near schools), upgrading of major traffic corridors, Hardy Street roundabout, infrastructure improvements on Lamar Boulevard (to accommodate increased traffic flow due to construction of a major banking facility), as well as continuation of infrastructure improvements considered more routine in nature.

From a budgetary point of view, the City's original General Fund revenue budget for FY 2022 totaled $54,861,348 (exclusive of projected beginning cash at October 1, 2021 of $12.5 million). The final revenue budget totaled $56,155,142, with actual revenue collections of $56,819,936 (101.18% collected). Amendments to the General Fund budget were attributable mostly to state grant awards.

The original FY 2022 budget for General Fund expenditures was $55,061,348, and the final amended total was $62,918,530. Actual expenditures totaled $52,366,801 (83.23% of budget expended). The unexpended budget total of $10,551,729 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)

	2022	2021
Land and construction in progress	$ 48,571,835	$ 73,537,209
Buildings and improvements	67,487,637	41,527,294
Machinery and equipment	5,023,634	5,587,295
Infrastructure	182,111,311	171,018,843
Intangible right-to-use assets	6,180,858	-
Total	**$ 309,375,275**	**$ 291,670,641**

The decrease in the "Land and construction in progress" category is the result of completion of the Public Safety Complex as well as other major street improvements throughout the city. The increase to Building and Improvements is due to completion of construction of the Public Safety Complex. The increase in improvements is the completion of major street improvements. The decrease to Machinery and Equipment is the result of depreciation on existing assets.

General Long-Term Debt Obligations

At September 30, 2022, the City of Hattiesburg had $48,006,231 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, 2022 was calculated to be $73,508,092. 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

	2022	**2021**
Governmental Funds		
General obligation bonds	$ 45,000,000	$ 45,845,000
Limited obligation tax increment financing bonds	10,093,039	11,078,724
Certificates of participation	4,345,000	4,550,000
Economic development limited obligation bonds	113,208	134,771
Notes from direct borrowings and direct placements	3,006,231	3,728,621
Leases payable	6,180,858	-
Capital leases	-	6,394,377
Unamortized premium	5,137,723	5,338,028
Claims and judgments	449,250	499,250
Subtotal governmental funds	74,325,309	77,568,771
Proprietary Fund		
General obligation bonds	2,860,000	3,675,000
Revenue bonds	48,697,000	78,642,000
Unamortized bond premium	165,497	210,881
Subtotal proprietary fund	51,722,497	82,527,881
Compensated Absences	**2,232,290**	**1,879,443**
Total Long-Term Obligations	**$ 128,280,096**	**$ 161,976,095**

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.

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 8.70% increase in FY 2022. 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 2021 valuations, and this resulted in a 3.13% increase in property tax revenues for FY 2022. There was a strong real estate market in Hattiesburg during 2022, 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, 2022

	PRIMARY		GOVERNMENT	
	Governmental Activities	**Business-type Activities**	**Total**	**Component Unit**
ASSETS				
Cash and cash equivalents - unrestricted	$ 18,429,609	$ 9,300,852	$ 27,730,461	$ 713,088
Cash and cash equivalents - restricted	41,433,885	1,607,980	43,041,865	10,238,467
Cash with fiscal agent - restricted	310,230	5,018,682	5,328,912	-
Sales tax receivable	6,193,093	-	6,193,093	1,095,551
Property taxes receivable	23,789,721	-	23,789,721	-
Accounts receivable - Water and Sewer (net of allowance for doubtful accounts of $4,813,104)	-	1,984,608	1,984,608	-
Accounts receivable - Solid Waste Services	213,452	-	213,452	-
Intergovernmental receivable	3,329,270	-	3,329,270	69,914
Fines receivable (net of allowance for doubtful accounts of $22,238,924)	3,189,389	-	3,189,389	-
Lease receivable	225,409	-	225,409	25,870
Other receivables	1,525,113	7,667	1,532,780	-
Internal balances	1,738	(1,738)	-	-
Due from other agencies	11,226	-	11,226	-
Inventory - food and beverage	-	-	-	151,860
Inventory - gas and oil	11,995	-	11,995	-
Capital assets not being depreciated:				
Land and construction in progress	47,604,397	967,438	48,571,835	5,459,754
Capital assets, net of accumulated depreciation:				
Buildings and improvements	67,353,841	133,796	67,487,637	13,103,541
Machinery and equipment	4,159,970	863,664	5,023,634	930,660
Infrastructure	62,221,015	119,890,296	182,111,311	-
Intangible right-to-use assets	6,180,858	-	6,180,858	67,024
Total assets	286,184,211	139,773,245	425,957,456	31,855,729
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	9,590,602	768,250	10,358,852	-
Related to OPEB	2,013,636	170,423	2,184,059	-
Prepaid bond insurance	290,804	380,047	670,851	-
Total deferred outflows of resources	11,895,042	1,318,720	13,213,762	-

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

EXHIBIT A
PAGE 2 OF 3

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position
September 30, 2022

	PRIMARY		GOVERNMENT	
	Governmental Activities	**Business-type Activities**	**Total**	**Component Unit**
LIABILITIES				
Accounts payable	$ 2,365,397	$ 1,655,615	$ 4,021,012	$ 205,336
Accrued wages and benefits	1,806,470	112,766	1,919,236	176,590
Other liabilities	129,374	55,605	184,979	-
Due to other agencies	349,331	-	349,331	-
Accrued expenses	372,316	-	372,316	-
Accrued interest	530,098	613,069	1,143,167	-
Other liabilities	-	198,729	198,729	-
Non-current liabilities:				
Portion due or payable within one year:				
General obligation bonds	-	850,000	850,000	-
Revenue bonds	-	4,900,000	4,900,000	-
Unamortized bond premium	187,148	45,384	232,532	-
Limited obligation tax increment financing bonds	1,035,766	-	1,035,766	-
Certificates of participation	220,000	-	220,000	-
Unamortized certificate of participatiion premium	13,158	-	13,158	-
Economic development limited obligation bonds	21,563	-	21,563	-
Notes from direct borrowings and direct placements	984,243	-	984,243	-
Leases payable	476,885	-	476,885	32,686
Compensated absences	305,711	29,133	334,844	-
Claims and judgments	64,178	-	64,178	-
Portion due or payable after one year:				
General obligation bonds	45,000,000	2,010,000	47,010,000	-
Revenue bonds	-	43,797,000	43,797,000	-
Unamortized bond premium	4,766,375	120,113	4,886,488	-
Limited obligation tax increment financing bonds	9,057,273	-	9,057,273	-
Certificates of participation	4,125,000	-	4,125,000	-
Unamortized certificate of participation premium	171,042	-	171,042	-
Economic development limited obligation bonds	91,645	-	91,645	-
Notes from direct borrowings and direct placements	2,021,988	-	2,021,988	-
Leases payable	5,703,973	-	5,703,973	34,338
Compensated absences	1,732,359	165,087	1,897,446	186,962
Claims and judgments	385,072	-	385,072	-
Net pension liability	83,959,537	5,752,739	89,712,276	-
Total OPEB liability	10,647,900	857,489	11,505,389	-
Customer meter deposits	-	1,607,980	1,607,980	-
Total liabilities	176,523,802	62,770,709	239,294,511	635,912

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

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position
September 30, 2022

	PRIMARY		GOVERNMENT	
	Governmental Activities	Business-type Activities	Total	Component Unit
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	$ 644,696	$ -	$ 644,696	$ -
Related to OPEB	2,695,951	228,171	2,924,122	-
Related to contracts	-	341,989	341,989	-
Related to grants	6,437,898	-	6,437,898	
Related to lease proceeds	-	-	-	3,328,388
Related to lease revenue	225,409	-	225,409	25,870
Special event revenue	-	-	-	400,046
Unearned revenue - property taxes	23,220,000	-	23,220,000	-
Total deferred inflows of resources	33,223,954	570,160	33,794,114	3,754,304
NET POSITION				
Net investment in capital assets	113,644,022	70,132,697	183,776,719	19,493,955
Restricted for:				
Debt service	7,674,336	8,039,394	15,713,730	-
Capital projects	10,741,492	3,455,873	14,197,365	849,078
Unrestricted	(43,728,353)	(3,876,868)	(47,605,221)	7,122,480
Total net position	$ 88,331,497	$ 77,751,096	$ 166,082,593	$ 27,465,513

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

EXHIBIT B

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Activities
Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 11,296,096	$ -	$ 348,890	$ 8,225
Public safety	26,353,567	574,164	1,070,601	-
Public services	16,242,403	2,232,456	983,902	6,160,831
Other services	1,921,637	-	-	1,378,943
Mass transit	1,969,988	22,969	1,579,254	223,865
Culture and recreation	13,918,797	82,671	-	708,837
Human/social assistance	584,345	-	755,403	-
Economic development	2,181,782	-	-	-
Interest and fiscal charges	2,830,886	-	-	-
Total governmental activities	77,299,501	2,912,260	4,738,050	8,480,701
Business-Type Activities:				
Water and sewer system	18,532,482	25,286,827	-	322,567
Interest and fiscal charges	2,261,973	-	-	-
Total business-type activities	20,794,455	25,286,827	-	322,567
Total primary government	$ 98,093,956	$ 28,199,087	$ 4,738,050	$ 8,803,268
COMPONENT UNIT:				
Hattiesburg Convention Commission	$ 10,383,658	$ 5,734,920	$ -	$ -
Total component unit	$ 10,383,658	$ 5,734,920	$ -	$ -

GENERAL REVENUES:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

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 (uses)

Miscellaneous

Gain (loss) 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
$ (10,938,981)		$ (10,938,981)	
(24,708,802)		(24,708,802)	
(6,865,214)		(6,865,214)	
(542,694)		(542,694)	
(143,900)		(143,900)	
(13,127,289)		(13,127,289)	
171,058		171,058	
(2,181,782)		(2,181,782)	
(2,830,886)		(2,830,886)	
(61,168,490)		(61,168,490)	
-	$ 7,076,912	7,076,912	
-	(2,261,973)	(2,261,973)	
-	4,814,939	4,814,939	
(61,168,490)	4,814,939	(56,353,551)	
			$ (4,648,738)
			(4,648,738)
22,285,960	-	22,285,960	-
3,469,740	-	3,469,740	-
34,323,789	-	34,323,789	-
4,668,067	-	4,668,067	-
3,474,217	-	3,474,217	6,703,788
3,738,976	-	3,738,976	-
223,005	-	223,005	-
151,528	99,014	250,542	10,433
2,295,430	-	2,295,430	-
480,409	371,237	851,646	1,755
27,254	(6,063)	21,191	-
91,492	-	91,492	(91,492)
867,187	(867,187)	-	-
76,097,054	(402,999)	75,694,055	6,624,484
14,928,564	4,411,940	19,340,504	1,975,746
73,236,117	73,339,156	146,575,273	25,489,767
166,816	-	166,816	-
73,402,933	73,339,156	146,742,089	25,489,767
$ 88,331,497	$ 77,751,096	$ 166,082,593	$ 27,465,513

EXHIBIT C
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Balance Sheet - Governmental Funds
September 30, 2022

	General Fund	Municipal Road and Bridge Fund	COVID Fiscal Recovery Fund
ASSETS			
Cash and cash equivalents	$ 16,428,037	$ -	$ -
Cash and cash equivalents - restricted	-	3,270,104	12,875,808
Cash with fiscal agent - restricted	-	-	-
Due from other funds	3,214,611	-	-
Sales tax receivable	2,758,889	-	-
Intergovernmental receivables	261,615	321,407	-
Fines receivable (net of allowance for doubtful accounts of $22,238,924)	3,189,389	-	-
Other receivables	1,096,983	12,605	-
Lease receivable	-	-	-
Property taxes receivable	19,970,173	-	-
Due from other agencies	11,226	-	-
Inventory - gas and oil	11,995	-	-
Advances to other funds	300,000	-	-
Prepaid insurance	290,804	-	-
Total assets	$ 47,533,722	$ 3,604,116	$ 12,875,808
LIABILITIES			
Accounts payable	$ 856,641	$ 719,427	$ -
Due to other funds	19,071	2,295,000	-
Due to other governments	62,280	-	-
Accrued wages and benefits	1,663,631	-	-
Other liabilities	72,652	12,038	-
Advances from other funds	-	-	-
Total liabilities	2,674,275	3,026,465	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	19,600,000	-	-
Unavailable revenue - lease revenue	-	-	-
Unavailable revenue - grants	-	-	6,437,897
Unavailable revenue - fines	3,189,389	-	-
Total deferred inflows of resources	22,789,389	-	6,437,897
FUND BALANCES			
Nonspendable:			
Inventories	11,995	-	-
Prepaid expenses	290,804	-	-
Long-term interfund advance	300,000	-	-

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 2,001,572	$ 18,429,609
11,168,884	14,119,089	41,433,885
162,499	147,731	310,230
-	20,809	3,235,420
-	291,877	3,050,766
-	292,048	875,070
-	-	3,189,389
-	-	1,109,588
-	225,409	225,409
-	3,646,834	23,617,007
-	-	11,226
-	-	11,995
-	-	300,000
-	-	290,804
$ 11,331,383	$ 20,745,369	$ 96,090,398
$ 589,891	$ 199,439	$ 2,365,398
-	583,500	2,897,571
-	145,939	208,219
-	142,839	1,806,470
-	417,000	501,690
-	300,000	300,000
589,891	1,788,717	8,079,348
-	3,620,000	23,220,000
-	225,409	225,409
-	-	6,437,897
-	-	3,189,389
-	3,845,409	33,072,695
-	-	11,995
-	-	290,804
-	-	300,000

EXHIBIT C
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Balance Sheet - Governmental Funds
September 30, 2022

	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	141,371	-	-
Public safety	403,045	-	-
Public services	70,771	577,651	-
Economic development	106,025	-	-
Other services	580	-	-
Unassigned	20,745,467	-	-
Total fund balances	22,070,058	577,651	6,437,911
Total liabilities, deferred inflows of resources, and fund balances	$ 47,533,722	$ 3,604,116	$ 12,875,808

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 892,685	$ 892,685
-	995,270	995,270
-	1,934,174	1,934,174
-	1,211,836	1,211,836
-	7,674,336	7,674,336
300,000	1,567,266	1,867,266
10,441,492	267,539	17,146,942
-	970,123	970,123
-	-	141,371
-	-	403,045
-	-	648,422
-	-	106,025
-	-	580
-	(401,986)	20,343,481
10,741,492	15,111,243	54,938,355
$ 11,331,383	$ 20,745,369	$ 96,090,398

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position September 30, 2022

Total *fund balances* for governmental funds (Exhibit C)		$ 54,938,355
Total *net position* reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 31,006,098	
Construction in progress	16,598,299	
Buildings and improvements, net of $37,430,895 accumulated depreciation	67,353,841	
Machinery and equipment, net of $35,778,204 accumulated depreciation	4,159,970	
Infrastructure, net of $110,790,997 accumulated depreciation	62,221,015	
Intangible right-to-use assets, net of $463,672 accumulated depreciation	6,180,858	
Total capital assets		187,520,081
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds.		3,189,389
Receivables not received within thirty days of year end are not reported in the funds.		6,062,107
Deferred outflows related to pensions and OPEB are not reported in the funds:		
Related to pensions	9,590,602	
Related to OPEB	2,013,636	
Total deferred outflows		11,604,238

EXHIBIT C.1
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position September 30, 2022

Deferred inflows related to pensions and OPEB are not reported in the funds:		
Related to pensions	$ (644,696)	
Related to OPEB	(2,695,951)	
Total deferred inflows		$ (3,340,647)
Payables not paid within thirty days of year end are not reported in the funds.		(141,112)
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, 2022 are:		
Accrued interest on bonds and notes	(530,098)	
General obligation bonds	(45,000,000)	
Limited obligation tax increment financing bonds	(10,093,039)	
Economic development limited obligation bonds	(113,208)	
Unamortized premiums on bonds	(4,953,523)	
Certificates of participation	(4,345,000)	
Unamortized premiums on certificates of participation	(184,200)	
Notes from direct borrowings and direct placements	(3,006,231)	
Leases payable	(6,180,858)	
Compensated absences	(2,038,070)	
Claims and judgments	(449,250)	
Net pension liability	(83,959,537)	
Total OPEB liability	(10,647,900)	
Total long-term liabilities		(171,500,914)
Total net position of governmental activities (Exhibit A)		$ 88,331,497

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

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, 2022

	General Fund	Municipal Road and Bridge Fund	COVID Fiscal Recovery Fund
REVENUES			
General property taxes	$ 20,796,815	$ -	$ -
Sales tax collections	34,051,987	-	-
Special sales tax collections	-	-	-
Internet sales tax	-	-	-
Other taxes	14,831	-	-
Licenses and permits	4,471,382	-	-
Fines, forfeitures and penalties	778,853	-	-
Interest, rents and concessions	134,443	1,121	-
Intergovernmental revenues	1,028,233	7,173,697	-
Charges for services	2,373,857	-	-
Other revenues	604,201	-	-
Total revenues	64,254,602	7,174,818	-
EXPENDITURES			
Current:			
General government	17,530,040	-	-
Public safety	24,032,700	-	-
Public services	11,456,520	6,032,626	-
Other services	1,236,282	-	-
Mass transit	-	-	-
Culture and recreation	6,676,888	-	-
Human/social assistance	-	-	-
Economic development	2,181,782	-	-
Debt service:			
Principal payments	752,685	-	-
Interest and fiscal charges	358,860	-	-
Total expenditures	64,225,757	6,032,626	-
Excess (deficiency) of revenues over expenditures	28,845	1,142,192	-

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 4,699,876	$ 25,496,691
-	-	34,051,987
-	3,482,968	3,482,968
-	3,738,976	3,738,976
-	-	14,831
-	-	4,471,382
-	19,077	797,930
61,471	42,643	239,678
509,836	5,128,175	13,839,941
-	391,685	2,765,542
-	23,985	628,186
571,307	17,527,385	89,528,112
-	-	17,530,040
5,237,650	122,974	29,393,324
5,932,064	2,336,888	25,758,098
-	1,313,754	2,550,036
-	1,882,615	1,882,615
-	7,336,148	14,013,036
-	522,631	522,631
-	-	2,181,782
-	2,695,486	3,448,171
-	2,566,376	2,925,236
11,169,714	18,776,872	100,204,969
(10,598,407)	(1,249,487)	(10,676,857)

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2022

	General Fund	Municipal Road and Bridge Fund	COVID Fiscal Recovery Fund
OTHER FINANCING SOURCES (USES)			
Proceeds from leases	$ 6,644,530	$ -	$ -
Proceeds from sale of capital asset	42,289	-	-
Transfers in	1,216,230	-	-
Transfers out	(3,434,430)	(321,407)	-
Other sources	93,463	-	-
Total other financing sources (uses)	4,562,082	(321,407)	-
NET CHANGE IN FUND BALANCES	4,590,927	820,785	-
Fund balances – beginning	17,479,131	(243,134)	6,437,911
Fund balances – ending	$ 22,070,058	$ 577,651	$ 6,437,911

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 6,644,530
-	-	42,289
-	3,406,794	4,623,024
-	-	(3,755,837)
-	531	93,994
-	3,407,325	7,648,000
(10,598,407)	2,157,838	(3,028,857)
21,339,899	12,953,405	57,967,212
$ 10,741,492	$ 15,111,243	$ 54,938,355

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, 2022

Net change in *fund balances* - governmental funds (Exhibit D)	$	(3,028,857)
The change in *net position* 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 ($31,277,791) exceeded depreciation expense ($8,844,764) in the current period.		22,433,027
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.		1,675,080
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.		(70,089)
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.		(2,682,687)

EXHIBIT D.1
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2022

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	$ (404,584)	
Amortization of certificates of participation premium	13,157	
Amortization of bond premium	187,148	
Special sales tax payable	(31,960)	
Accrued interest on bonds and notes	58,699	
Combined adjustment		$ (177,540)
Change related to pension deferred outflows and inflows and liabilities		(2,261,916)
Change related to other post employment benefit deferred outflows and liabilities		(958,454)
Change in *net position* of governmental activities (Exhibit B)		$ 14,928,564

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

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position - Proprietary Fund
September 30, 2022

	Combined Water and Sewer System
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 9,300,852
Cash with fiscal agent - restricted	5,018,682
Accounts receivable - trade (net of allowance for doubtful accounts of $4,813,104)	1,984,608
Other receivables	7,667
Total current assets	16,311,809
NONCURRENT ASSETS	
Cash and cash equivalents - restricted	1,607,980
Capital assets	
Land	358,164
Construction in progress	609,274
Buildings and improvements, net	133,796
Machinery and equipment, net	863,664
Infrastructure, net	119,890,296
Total noncurrent assets	123,463,174
Total assets	139,774,983
DEFERRED OUTFLOW OF RESOURCES	
Related to pensions	768,250
Related to OPEB	170,423
Prepaid bond insurance	380,047
Total deferred outflows	1,318,720
CURRENT LIABILITIES	
Accounts payable	1,655,615
Accrued wages and benefits payable	112,766
Sales tax payable	55,605
Due to governmental funds	1,738
Accrued interest payable	613,069
Other liabilities	198,729
General obligation bonds - current	850,000
Revenue bonds - current	4,900,000
Unamortized bond premium - current	45,384
Compensated absences - current	29,133
Total current liabilities	8,462,039

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

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position - Proprietary Fund
September 30, 2022

	Combined Water and Sewer System
NON-CURRENT LIABILITIES	
General obligation bonds	$ 2,010,000
Revenue bonds	43,797,000
Unamortized bond premium	120,113
Compensated absences	165,087
Net pension liability	5,752,739
Total OPEB liability	857,489
Customer meter deposits	1,607,980
Total non-current liabilities	54,310,408
Total liabilities	62,772,447
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	228,171
Related to contracts	341,989
Total deferred inflows	570,160
NET POSITION	
Net investment in capital assets	70,132,697
Restricted for debt service	8,039,394
Restricted for capital projects	3,455,873
Unrestricted	(3,876,868)
Total net position	$ 77,751,096

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, 2022

	Combined Water and Sewer System
OPERATING REVENUES	
Water charges	$ 12,010,818
Sewer charges	13,016,414
Sewer connections	13,905
Turn-on fees	70,290
Taps	175,400
Total operating revenues	25,286,827
OPERATING EXPENSES	
Personnel services	3,062,652
Other services and charges	9,078,652
Supplies and expenses	1,900,992
Depreciation	4,284,262
Other operating expenses	205,924
Total operating expenses	18,532,482
OPERATING INCOME	6,754,345
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	99,014
Gain (loss) on sale of assets	(6,063)
Interest expense	(2,261,973)
Intergovernmental revenue	322,567
Other revenues	371,237
Total non-operating revenues (expenses)	(1,475,218)
INCOME BEFORE TRANSFERS	5,279,127
Transfers in	27,636
Transfers out	(894,823)
Total transfers	(867,187)
CHANGE IN NET POSITION	4,411,940
NET POSITION - beginning	73,339,156
NET POSITION - ending	$ 77,751,096

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, 2022

	Combined Water and Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 25,664,731
Payments to suppliers and service providers	(10,302,355)
Payments to employees for salaries and benefits	(2,882,487)
Net cash provided by operating activities	12,479,889
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	27,636
Transfers to other funds	(894,823)
Net cash used by noncapital financing activities	(867,187)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments - bonds and notes	(30,760,000)
Intergovernmental cash receipts	322,567
Acquisition and construction of capital assets	(5,120,961)
Other receipts	371,237
Interest paid on capital debt	(2,343,094)
Net cash provided by capital and related financing activities	(37,530,251)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	99,014
Net cash provided by investing activities	99,014
NET INCREASE IN CASH AND CASH EQUIVALENTS	(25,818,535)
CASH AND CASH EQUIVALENTS - Beginning	41,746,049
CASH AND CASH EQUIVALENTS - Ending	$ 15,927,514
Displayed on Exhibit E as:	
Current Assets:	
Cash and cash equivalents - unrestricted	$ 9,300,852
Cash with fiscal agent - restricted	5,018,682
Non-Current Assets:	
Cash and cash equivalents - restricted	1,607,980
	$ 15,927,514

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

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Cash Flows - Proprietary Fund
Year Ended September 30, 2022

	Combined Water and Sewer System
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 6,754,345
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	4,284,262
Decrease (increase) in assets:	
Accounts receivable - trade	(397,417)
Other receivables	777,924
Deferred outflows related to pension	(372,764)
Deferred outflows related to OPEB	24,866
Prepaid insurance - bonds	25,380
Increase (decrease) in liabilities:	
Due from/to other governmental funds	1,738
Accounts payable	657,366
Other liabilities	198,729
Accrued wages and benefits payable	9,818
Sales tax payable	35,865
Compensated absences	(51,737)
Net pension liability	1,483,346
Total OPEB liability	75,578
Customer meter deposits	16,572
Deferred inflows related to pension	(970,034)
Deferred inflows related to OPEB	(18,908)
Deferred inflows related to contracts	(55,040)
Total adjustments	5,725,544
Net cash provided by operating activities	$ 12,479,889

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

EXHIBIT H

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Fiduciary Net Position
September 30, 2022

		Custodial Funds
ASSETS		
Cash and cash equivalents	$	250,495
Other receivables		605,736
Sales tax receivable		80,028
Total assets	$	936,259
LIABILITIES		
Due to other funds	$	375,933
Other liabilities		7,212
Total liabilities		383,145
NET POSITION		
Restricted for:		
Individuals, organizations and other governments		553,114
Total net position		553,114
Total liabilities and net position	$	936,259

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, 2022

	Custodial Funds
ADDITIONS	
Property tax revenues	$ 48,912,925
Sales tax revenues	1,034,076
Intergovernmental revenues	475,000
Interest	1,411
Total additions	50,423,412
DEDUCTIONS	
Payments of taxes to other funds	49,088,550
Administrative expense	67,984
Other expense	1,597,016
Total deductions	50,753,550
CHANGE IN FIDUCIARY NET POSITION	(330,138)
NET POSITION - BEGINNING	883,252
NET POSITION - ENDING	$ 553,114

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, 2022

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% 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, 2022

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, 2022

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, 2022

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, 2022

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.

To maximize interest earnings, the City's cash resources are combined to form a cash pool. Excluded from this pool is the cash of the Water and Sewer Bond and Interest Fund, Water and Sewer Revenue Fund, the Payroll Fund, the Police Forfeitures Fund, the Series 2019 and 2020 Bond Projects Fund, the 2003 TIF Bond and Interest Chauvet Square Fund, the 2007 TIF Bond and Interest Turtle Crossing Fund, the 2008 TIF Bond and Interest Lincoln Center Fund, the 2012 TIF Bond and Interest Kohl's Fund, the 2014 TIF Bond and Interest Southern Pointe Fund, the 2015-A TIF Bond and Interest Ridge at Turtle Creek Fund, the 2015-B TIF Bond and Interest Midtown Market Fund, the 2016 TIF Bond and Interest Whispering Pines Fund, the 2016 TIF Bond and Interest Hattiesburg Clinic Fund, 2019 TIF Bond and Interest Planet Fitness Fund, the 2019 TIF Elam Arms Midtown Bond and Interest Fund, the COVID Fiscal Recovery Grant, the Municipal Road and Bridge Fund, the Community Development Block Grant Fund for Entitlement and HOME Entitlement, the Special 1% Sales Tax Fund, Internet Sales Tax Fund, the 2019 Fire Station Construction Fund, the TIF Construction Fund, the Group Insurance Trust Fund and the Claims Fund.

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, 2022

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, 2022. 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, 2022

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, 2022

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 special assessments, and these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Both the government-wide statements and governmental funds report property taxes levied for the subsequent year, which are deferred and recognized as an inflow of resources in the period for which they are levied. The government-wide statements report unavailable revenues from 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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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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TEN
YEAR ENDED SEPTEMBER 30, 2022

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, 2022

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, 2022

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. 87, *Leases*, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

I. Recent Accounting Pronouncement

In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which changes the treatment of the capitalization criteria and recognition of the subscription asset. The new standard is effective for the year ending September 30, 2023. The City is evaluating the effect the guidance will have on their financial statements and related disclosures.

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NOTE 2 - PRIOR PERIOD ADJUSTMENT

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

Explanation	Amount
Exhibit B (Governmental Activities)	
Change in Accounting Standard	
To implement GASB 87 lease assets and lease liabilities.	$ 166,816

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 $70,772,328 (exclusive of cash with fiscal agents disclosed below). The bank balance was $76,380,057. 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, 2022, 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 $5,328,912.

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.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED SEPTEMBER 30, 2022

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Primary Government				
	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 31,006,098	$ -	$ -	$ -	$ 31,006,098
Construction in progress	32,667,353	22,585,011	(38,654,065)	-	16,598,299
Total capital assets not being depreciated	63,673,451	22,585,011	(38,654,065)	-	47,604,397
Capital assets being depreciated:					
Buildings and improvements	78,211,735	34,299,728	(7,726,727)	-	104,784,736
Machinery and equipment	39,911,425	522,917	(502,798)	6,630	39,938,174
Infrastructure	167,132,343	5,879,669	-	-	173,012,012
Intangible right-to-use assets	-	6,644,530	-	-	6,644,530
Total capital assets being depreciated	285,255,503	47,346,844	(8,229,525)	6,630	324,379,452
Less accumulated depreciation for:					
Buildings and improvements	36,826,836	2,765,239	(2,161,180)	-	37,430,895
Machinery and equipment	35,158,087	1,122,804	(502,798)	111	35,778,204
Infrastructure	106,297,948	4,493,049	-	-	110,790,997
Intangible right-to-use assets	-	463,672	-	-	463,672
Total accumulated depreciation	178,282,871	8,844,764	(2,663,978)	111	184,463,768
Total capital assets being depreciated, net	106,972,632	38,502,080	(5,565,547)	6,519	139,915,684
Governmental activities capital assets, net	$ 170,646,083	$ 61,087,091	$ (44,219,612)	$ 6,519	$ 187,520,081

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FIFTEEN
YEAR ENDED SEPTEMBER 30, 2022

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	9,505,594	4,917,838	(13,814,158)	609,274
Total capital assets not being depreciated	9,863,758	4,917,838	(13,814,158)	967,438
Capital assets being depreciated:				
Buildings and improvements	478,071	-	-	478,071
Machinery and equipment	10,035,483	203,123	(9,832)	10,228,774
Infrastructure	155,908,454	13,814,158	-	169,722,612
Total capital assets being depreciated	166,422,008	14,017,281	(9,832)	180,429,457
Less accumulated depreciation for:				
Buildings and improvements	335,676	8,599	-	344,275
Machinery and equipment	9,201,526	167,353	(3,769)	9,365,110
Infrastructure	45,724,006	4,108,310	-	49,832,316
Total accumulated depreciation	55,261,208	4,284,262	(3,769)	59,541,701
Total capital assets being depreciated, net	111,160,800	9,733,019	(6,063)	120,887,756
Business-type activities capital assets, net	$ 121,024,558	$ 14,650,857	$ (13,820,221)	$ 121,855,194

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

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	$	588,895
Public safety		1,065,270
Public services – which includes the depreciation of infrastructure assets		4,794,098
Other services		624,348
Mass transit		693,648
Culture and recreation		1,041,552
Human/social assistance		36,953
Total depreciation expense - governmental activities	$	8,844,764

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to/from various City funds at September 30, 2022, consist of the following:

Receivable Fund	Payable Fund		Amount
General fund	Municipal road and bridge fund	$	2,295,000
General fund	Nonmajor governmental funds		583,500
General fund	Custodial fund		336,111
Nonmajor governmental funds	General fund		19,071
Nonmajor governmental funds	Combined Water and Sewer System		1,738
Total		$	3,235,420

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, 2022, consist of the following:

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

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, 2022, is as follows:

	Transfers In:			
Transfers out:	**General Fund**	**Other Governmental Funds**	**Combined Water and Sewer System**	**Total**
General fund	$ -	$ 3,406,794	$ 27,636	$ 3,434,430
Municipal road and bridge fund	321,407	-	-	321,407
Combined water and sewer system	894,823	-	-	894,823
Total	$ 1,216,230	$ 3,406,794	$ 27,636	$ 4,650,660

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, 2022

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

For the fiscal year 2022, the following ad valorem tax levies were made in accordance with the applicable statutory requirements and authorizations:

Entity/Purpose of Levy	Applicable State Law	Mills Levied
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 2022, 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 $5,834,783 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
PAGE NINETEEN
YEAR ENDED SEPTEMBER 30, 2022

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 2022:

Unpaid claims, beginning of fiscal year	$	287,050
Plus: Incurred claims (including IBNRs)		4,923,053
Less: Claims payments		(4,837,787)
Unpaid claims, end of fiscal year	$	372,316

Cash on deposit in the Group Insurance Fund at September 30, 2022 was $350,047. 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, 2022.

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 - 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.

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.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 - LEASES (Cont.)

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 intangible right-to-use assets as of September 30, 2022, were as follows:

	Balance October 1, 2021	Additions	Amortization	Balance September 30, 2022
Equipment, net	$ -	$ 6,243,456	$ 458,699	$ 5,784,757
Land, net	-	215,725	3,935	211,790
Property, net	-	185,349	1,038	184,311
Total	$ -	$ 6,644,530	$ 463,672	$ 6,180,858

See Note 4 for further details regarding intangible right-to-use assets, which represents leased assets.

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

The lease obligations outstanding as of September 30, 2022, were as follows:

	Discount Rate	Term	Issue Date	Maturity Date	Monthly Payment		Amount Outstanding
Equipment	1.71% - 2.58%	48-192 months	Various	Various	$ 295,429	A	$ 5,784,757
Land	3.04%	40 years	10/1/2021	8/13/2059	9,613	B	211,790
Property	4.20%	25 years	6/1/2022	6/01/2047	1,000	C	184,311
Total							$ 6,180,858

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 - LEASES (Cont.)

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.
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:

Year Ending September 30,	Principal	Interest
2023	$ 476,885	$ 159,598
2024	494,888	147,355
2025	517,168	134,508
2026	543,190	121,004
2027	574,655	106,727
2028-2032	3,267,039	288,366
2033-2037	58,619	49,444
2038-2042	70,678	37,384
2043-2047	82,281	22,782
2048-2052	35,656	12,403
2053-2057	41,416	6,647
2058-2059	18,383	842
Total	$ 6,180,858	$ 1,087,060

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 commencing on 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

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YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 - LEASES (Cont.)

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

Year Ending September 30,	Principal	Interest
2023	$ 11,530	$ 6,590
2024	11,863	6,257
2025	12,240	5,880
2026	12,612	5,508
2027	12,994	5,126
2028-2032	71,109	19,491
2033-2037	82,595	8,005
2038	10,466	105
Total	$ 225,409	$ 56,962

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, 2022. 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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

General obligation bonds outstanding at September 30, 2022 are as follows:

General Obligation Bonds

Governmental Activities:	**Sale Date**	**Original Borrowing**	**Interest Rates to Maturity**	**Final Maturity**	**Outstanding 9/30/22**
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
Total					$ 45,000,000
Business-type Activities:					
Public Improvements	2011	$ 3,600,000	2.60 - 3.70%	2031	$ 1,825,000
Public Improvements	2016	4,605,000	2.00 - 3.00%	2024	1,035,000
Total					$ 2,860,000

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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Limited obligation TIF bonds outstanding at September 30, 2022 are as follows:

Limited Obligation TIF Bonds **Governmental Activities:**	**Sale Date**	**Original Borrowing**	**Interest Rates to Maturity**	**Final Maturity**	**Outstanding 9/30/22**
Chauvet Square	2003	$ 1,100,000	4.50 - 5.35%	2023	$ 90,000
Chauvet Square	2007	1,400,000	4.50%	2027	755,000
Lincoln Center	2008	610,000	4.00%	2023	50,000
Turtle Creek Crossing	2011	400,000	5.68%	2025	75,000
Southern Pointe	2014	2,600,000	4.85%	2029	1,440,000
Hattiesburg Clinic - Midtown Project	2015	845,000	3.90 - 4.00%	2031	567,000
Ridge at Turtle Creek	2016	1,225,000	5.50%	2031	845,000
Midtown Market	2016	210,000	5.50%	2031	146,000
Whispering Pines	2016	3,021,000	4.00 - 4.75%	2031	2,024,000
Turtle Creek Phase III	2019	750,000	5.50%	2028	535,000
Elam Arms	2020	3,215,000	4.15%	2035	2,890,000
Planet Fitness	2020	768,000	3.00%	2036	676,039
Total					$ 10,093,039

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.

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

There is an unamortized premium of $184,200 which is not included in the principal in the following schedule:

Certificates of Participation

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
Certificates of Participation	2016	$ 5,300,000	3.00 - 5.00%	2036	$ 4,345,000

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.

Limited obligation bonds and notes outstanding at September 30, 2022 are as follows:

Economic Development Limited Obligation Bonds

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
MDB Limited Obligation Bonds	2009	$ 2,937,000	2.90 - 6.00%*	2030	$ 113,208

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

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, 2022. Upon default, the notes from direct borrowings and direct placements become immediately due in full.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Notes from direct borrowings and direct placements outstanding at September 30, 2022 are as follows:

Notes from Direct Borrowings/Direct Placements

Governmental Activities:	**Sale Date**	**Original Borrowing**	**Interest Rates to Maturity**	**Final Maturity**	**Outstanding 9/30/22**
Fire truck	2018	$ 439,502	2.83%	2025	$ 169,030
Public Improvements	2019	494,000	1.52%	2025	304,875
Public Improvements	2019	4,100,000	1.82%	2025	2,532,326
Total					$ 3,006,231

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 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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 10 to 25 years. Revenue bonds outstanding at September 30, 2022 are as follows:

Revenue Bonds

Business-type Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
W&S Revenue Project, Series 2012	2012	$ 12,500,000	2.50 - 5.00%	2024	$ 1,260,000
W&S Refunding Bonds, Series 2013	2014	28,000,000	2.75 - 4.78%	2027	7,000,000
W&S Refunding Bonds, Series 2016	2016	25,000,000	3.03%	2023	2,605,000
W&S Refunding Bonds, Series 2021	2021	38,402,000	0.95% - 2.50%	2038	37,832,000
Total					$ 48,697,000

<u>Compensated Absences</u>

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, 2022 are as follows:

	Governmental Activities	Business-Type Activities	Primary Government
Accrued vacation pay	$ 1,948,815	$ 193,799	$ 2,142,614
Accrued overtime pay	12,372	421	12,793
Accrued holiday pay	76,883	-	76,883
Total	$ 2,038,070	$ 194,220	$ 2,232,290

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

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, 2022 are as follows:

Governmental Activities:		**Balance September 30, 2021**
Bonds and notes payable		
General obligation bonds	$	45,845,000
Unamortized premium on bonds		5,140,671
Limited obligation TIF bonds		11,078,724
Certificates of participation		4,550,000
Unamortized premium on certificates of participation		197,357
Economic development limited obligation bonds		134,771
Notes from direct borrowings and direct placements		3,728,621
Total bonds and notes payable		70,675,144
Capital leases		6,394,377
Leases payable		-
Compensated absences		1,633,486
Claims and judgments		499,250
Governmental activities long-term liabilities	$	79,202,257
Business-type Activities:		
Bonds and notes payable		
General obligation bonds	$	3,675,000
Revenue bonds		78,642,000
Unamortized premium on bonds		210,881
Total bonds and notes payable		82,527,881
Compensated absences		245,957
Business-type activities long-term liabilities	$	82,773,838

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Additions	Reductions	Balance September 30, 2022	Due Within One Year
$ -	$ (845,000)	$ 45,000,000	$ -
-	(187,148)	4,953,523	187,148
-	(985,685)	10,093,039	1,035,766
-	(205,000)	4,345,000	220,000
-	(13,157)	184,200	13,158
-	(21,563)	113,208	21,563
238,411	(960,801)	3,006,231	984,243
238,411	(3,218,354)	67,695,201	2,461,878
-	(6,394,377)	-	-
6,644,530	(463,672)	6,180,858	476,885
404,584	-	2,038,070	305,711
-	(50,000)	449,250	64,178
$ 7,287,525	$ (10,126,403)	$ 76,363,379	$ 3,308,652
$ -	$ (815,000)	$ 2,860,000	$ 850,000
-	(29,945,000)	48,697,000	4,900,000
-	(45,384)	165,497	45,384
-	(30,805,384)	51,722,497	5,795,384
	(51,737)	194,220	29,133
$ -	$ (30,857,121)	$ 51,916,717	$ 5,824,517

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

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

Governmental Activities:

Year Ending	G.O. Bonds		Limited Obligation TIF Bonds	
September 30,	Principal	Interest	Principal	Interest
2023	$ -	$ 1,980,382	$ 1,035,766	$ 443,874
2024	605,000	1,965,256	1,023,049	397,344
2025	635,000	1,934,257	1,062,370	350,753
2026	1,040,000	1,896,131	1,091,731	302,403
2027	1,085,000	1,850,607	1,138,133	252,965
2028-2032	6,200,000	8,491,881	3,748,214	600,707
2033-2037	7,715,000	6,978,155	993,776	79,335
2038-2042	9,530,000	5,156,897	-	-
2043-2047	11,725,000	2,962,581	-	-
2048-2050	6,465,000	364,956	-	-
Total	$ 45,000,000	$ 33,581,103	$ 10,093,039	$ 2,427,381

Year Ending	Certificates of Participation		Economic Development Limited Obligation Bonds	
September 30,	Principal	Interest	Principal	Interest
2023	$ 220,000	$ 185,450	$ 21,563	$ 1,935
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
2028-2032	1,555,000	558,037	5,393	635
2033-2036	1,595,000	146,588	-	-
Total	$ 4,345,000	$ 1,559,000	$ 113,208	$ 8,560

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Year Ending September 30,	Notes from Direct Borrowings and Direct Placements Principal	Notes from Direct Borrowings and Direct Placements Interest
2023	$ 984,243	$ 47,350
2024	1,012,712	28,809
2025	1,009,276	9,889
Total	$ 3,006,231	$ 86,048

Year Ending September 30,	Claims and Judgments Principal	Claims and Judgments Interest	Total Governmental Activities Principal	Total Governmental Activities Interest
2023	$ 64,178	$ -	$ 2,325,750	$ 2,658,991
2024	64,178	-	2,956,502	2,571,851
2025	64,178	-	3,032,387	2,468,116
2026	64,178	-	2,462,472	2,364,320
2027	64,178	-	2,568,874	2,259,042
2028-2032	128,360	-	11,636,967	9,651,260
2033-2037	-	-	10,303,776	7,204,078
2038-2042	-	-	9,530,000	5,156,897
2043-2047	-	-	11,725,000	2,962,581
2048-2050	-	-	6,465,000	364,956
Total	$ 449,250	$ -	$ 63,006,728	$ 37,662,092

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Business-type Activities:

Year Ending September 30,	G.O. Bonds Principal	G.O. Bonds Interest
2023	$ 850,000	$ 77,089
2024	585,000	56,104
2025	210,000	44,459
2026	220,000	38,159
2027	230,000	31,559
2028-2030	765,000	49,813
Total	$ 2,860,000	$ 297,183

Year Ending September 30,	Revenue Bonds Principal	Revenue Bonds Interest	Total Business-type Activities Principal	Total Business-type Activities Interest
2023	$ 4,900,000	$ 1,890,009	$ 5,750,000	$ 1,967,098
2024	4,942,000	1,290,106	5,527,000	1,346,210
2025	5,080,000	749,235	5,290,000	793,694
2026	5,116,000	660,454	5,336,000	698,613
2027	2,304,000	590,859	2,534,000	622,418
2028-2032	12,726,000	2,204,850	13,491,000	2,254,663
2033-2037	9,768,000	1,104,475	9,768,000	1,104,475
2038-2039	3,861,000	92,338	3,861,000	92,338
Total	$ 48,697,000	$ 8,582,326	$ 51,557,000	$ 8,879,509

During the year ended September 30, 2022, interest expense paid for governmental activities and business-type activities totaled $2,830,886 and $2,261,973, respectively.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

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, 2022:

		15.00% Test	20.00% Test
Assessed value as of September 30, 2022 ($490,053,946) times applicable percentage	[a]	$ 73,508,092	$ 98,010,789
Present debt subject to debt limits as of September 30, 2022:			
Total bonds and notes other than water and sewer		58,212,478	58,212,478
Less: Bonds exempt from debt limitation calculations		(10,206,247)	(10,206,247)
Add: Water & Sewer debt other than revenue bonds		N/A	2,860,000
General obligation debt subject to applicable tests	[b]	48,006,231	50,866,231
Margin for additional debt [a] minus [b]		$ 25,501,861	$ 47,144,558

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:

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.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 11 - TAX ABATEMENTS (Cont.)

Category	Amount of Taxes Abated During the Fiscal Year	Direct Employment Impact	Indirect Employment Impact
Industrial expansion exemptions	$ 1,522,092	4,315 jobs	4,385 jobs

The projected public investment for jobs impacted by industrial expansions is $550 per direct job and $268 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 2022 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 2022.

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, 2022 totaled $1,044,894.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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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 2021, the City contributed $235,000 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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 15 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2022, 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 $1,249, $381,694 and $20,292, respectively, which are attributable to the cumulative effect of program expenditures in excess of grant reimbursements.

NOTE 16 - COMMITMENTS

Significant encumbrances at September 30, 2022, included $1,572,555 for public services projects.

Commitments for construction projects in progress are as follows:

September 30, 2022	Amount
Airport improvements	$ 29,353
Infrastructure projects	12,656,949
Economic development	10,690,893
Culture and recreation	3,773,797
Water and sewer projects	532,154
Commitments for construction projects in progress, end of fiscal year	$ 27,683,146

NOTE 17 - CONTINGENCIES

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

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 17 - CONTINGENCIES (Cont.)

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

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

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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE THIRTY-SEVEN
YEAR ENDED SEPTEMBER 30, 2022

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.

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, 2022 totaled $388 and $638, respectively. For the years ended September 30, 2022, 2021, and 2020, the City contributed $276,053, $259,815, and $468,268, respectively, to the plan for expected payouts for retiree benefits, which represented 15.54%, 14.45%, and 28.00%, respectively, of the actuarially determined annual required contribution of $1,776,553, $1,797,653, and $1,672,469, respectively. No amounts have been contributed to finance future medical benefits under the plan for either current or future retirees.

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NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Employees Covered by Benefit Terms - At September 30, 2022, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving	59
Active members	561
Total participants	620

Total OPEB Liability - The City's Total OPEB liability of $11,505,389 was measured as of September 30, 2022, and was determined by an actuarial valuation as of October 1, 2021.

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	2.43%
Healthcare costs trends rate	6.25% graded 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
Administrative costs	$247 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, 2021.

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

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.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Schedule of Changes in Total OPEB Liability - The change in Total OPEB liability for the year ended September 30, 2022 is as follows:

	Total OPEB Liability
Service cost	$ 971,677
Interest	272,948
Benefit payments	(276,053)
Net change	968,572
Beginning Total OPEB Liability	10,536,817
Ending Total OPEB Liability	$ 11,505,389

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 1.43%	Current Discount Rate 2.43%	1.00% Increase 3.43%
$ 13,030,943	$ 11,505,389	$ 10,211,751

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:

1.00% Decrease	Current Rate	1.00% Increase
5.25% to 4.50% over 3 years and following the Getzen model thereafter	6.25% to 5.50% over 3 years and following the Getzen model thereafter	7.25% to 6.50% over 3 years and following the Getzen model thereafter
$ 10,262,418	$ 11,505,389	$ 13,024,049

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FORTY
YEAR ENDED SEPTEMBER 30, 2022

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended September 30, 2022, the City recognized OPEB expense of $1,039,990. The City reported deferred outflows of resources and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 1,685,745	$ -
Experience losses	498,314	2,924,122
Total	$ 2,184,059	$ 2,924,122

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the total OPEB liability at September 30, 2022, will be recognized as an addition to or reduction of, respectively, OPEB expense as follows:

Year Ending September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	$ 337,247	$ 265,829
2024	337,247	265,829
2025	337,247	265,829
2026	337,247	265,829
2027	337,247	265,829
Thereafter	497,824	1,594,977
Total	$ 2,184,059	$ 2,924,122

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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, 2022, included no active members and 134 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 the Cost-Sharing Plan before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of the Cost-Sharing Plan before July 1, 2011), plus 2.50% 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 the Cost-Sharing

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Plan before July 1, 2007). The Cost-Sharing Plan also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of the Cost-Sharing Plan before July 1, 2011), with 3.00% compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

PFDR Plan Benefits Provided - MRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Membership eligibility and benefit provisions are governed by the general laws of the State of Mississippi, as well as local and private legislation enacted by the Mississippi State Legislature. Statutes may only be amended by the Mississippi Legislature. The PFDR retirement allowance is payable under this plan to any member who retires and has completed at least 20 years of creditable service, regardless of age. The retirement benefits are calculated in an amount equal to 50% of the employee's average compensation, plus 1.70% 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, 2022, 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, 2022 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, 2022, 2021 and 2020 were $4,405,518, $4,317,268, and $4,334,297, 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, 2022

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 2022 under the funding policy adopted by the PERS Board of Trustees in February 2011. The millage rates certified as of June 30, 2022 for the fiscal years ending September 30, 2023 and September 30, 2024 are 2.03 mills and 2.53 mills, respectively. The actual tax levy set in 2021 for the pension fund for policemen and firemen for the year ended September 30, 2022 was 2.86 mills.

For the plan year ended June 30, 2022, contributions totaling $137,686 (employer only, no active members) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2022. The employer's annual required contribution (ARC) as of June 30, 2022, was actuarially determined to be $1,349,361.

Pension Liabilities and Pension Expense - At September 30, 2022, the City reported a liability of approximately $89,712,275 for its proportionate share of the collective net pension liability (NPL) of the Cost-Sharing Plan and the net pension liability allocated to PFDR. The net pension liability (NPL) for both plans was measured as of June 30, 2022, 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, 2022, were as follows:

	Cost - Sharing Plan	PFDR	Total
Net pension liability	$ 75,192,033	$ 14,520,242	$ 89,712,275
Net pension expense	$ 6,180,517	$ 786,116	$ 6,966,633

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NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

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, 2022, the City's proportion was 0.365326% as compared to its proportion measured at June 30, 2021 of 0.370199%, or a decrease of 0.004873%.

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 7.55% for both pension plans. The projection of cash flows used to determine the discount rate for the Cost-Sharing Plan assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

The following presents the City's net pension liabilities calculated using the discount rate of 7.55%, 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 (6.55%) or 1-percentage point higher (8.55%) than the current rate:

	1.00% Decrease (6.55%)	Discount Rate (7.55%)	1.00% Increase (8.55%)
Cost-sharing plan net pension liability	$ 98,133,282	$ 75,192,033	$ 56,278,140
PFDR plan net pension liability	$ 17,141,494	$ 14,520,242	$ 12,243,556

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2022***,*** the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Cost - Sharing Plan	PFDR	
September 30, 2022	**Deferred Outflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 779,233	$ -	$ -
Net difference between projected and actual earnings on investments	3,159,562	645,160	-
Changes of assumptions	1,903,391	-	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,557,380	-	644,696
Employer contributions subsequent to the measurement date	1,203,564	110,562	-
Total	$ 9,603,130	$ 755,722	$ 644,696

Deferred outflows of resources related to the Cost-Sharing Plan and PFDR resulting from City contributions subsequent to June 30, 2022 (the measurement date) were $1,203,564 and $110,562, respectively, and will be recognized as a reduction of the net pension liability in the year ending September 30, 2023.

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NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

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

	Cost - Sharing Plan	PFDR	
Year Ending September 30,	**Deferred Outflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
2023	$ 2,458,162	$ 161,290	$ 161,174
2024	2,458,162	161,290	161,174
2025	2,192,845	161,290	161,174
2026	1,290,397	161,290	161,174
Total	$ 8,399,566	$ 645,160	$ 644,696

No deferred inflows related to the Cost-Sharing Plan were reported in the year ended September 30, 2022. 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, 2022 was determined by an actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods in the measurement:

	Cost - Sharing Plan	PFDR Plan
Inflation	2.40%	2.75%
Investment rate of return (net of plan investment expense, including inflation)	7.55%	7.55%
Projected salary increases, including inflation	2.65% - 17.90%	3.00% - 4.50%

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

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 Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97.00% for males and 100.00% 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, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

The long-term expected rate of return on the Cost-Sharing Plan investments was determined using a lognormal 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. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class in the Cost-Sharing Plan are as follows:

Investment Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equity	25.00%	4.60%
International equity	20.00	4.50
Global equity	12.00	4.85
Fixed income	18.00	1.40
Real estate	10.00	3.65
Private equity	10.00	6.00
Private infrastructure	2.00	4.00
Private credit	2.00	4.00
Cash equivalents	1.00	-0.10
Total	100.00%	

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

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, 2022.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT

Capital asset activity for the Hattiesburg Convention Commission (Commission) for the year ended September 30, 2022 was as follows:

	Beginning Balances	Additions	Retirements	Adjustments	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 1,445,386	$ -	$ -	$ -	$ 1,445,386
Construction in progress - Convention Center improvements	-	97,578	-	-	97,578
Construction in progress - The Lawn at Lake Terrace	-	35,800	-	-	35,800
Construction in progress - Eureka	26,247	43,279	-	-	69,526
Construction in progress - Zoo projects	292,995	39,898	(291,100)	(1,870)	39,923
Construction in progress - Osceola McCarty House Museum	17,845	-	-	-	17,845
Construction in progress - Smith Drug Store	88,613	142,973	(231,586)	-	-
Construction in progress - Water Park	-	3,751,826	-	1,870	3,753,696
Total capital assets not being depreciated	1,871,086	4,111,354	(522,686)	-	5,459,754

(Table Continued on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT

	Beginning Balances	Additions	Retirements	Adjustments	Ending Balances
Governmental activities (cont.):					
Capital assets being depreciated:					
Buildings and improvements	$ 22,980,439	$ 209,191	$ -	$ -	$ 23,189,630
Furniture and fixtures	487,942	-	-	-	487,942
Equipment and vehicles	1,967,694	692,465	-	34,737	2,694,896
Intangible right-of-use assets	-	94,439	-	-	94,439
Assets acquired under capital lease	34,737	-	-	(34,737)	-
Total capital assets being depreciated	25,470,812	996,095	-	-	26,466,907
Less accumulated depreciation for:					
Buildings and improvements	9,604,579	481,510	-	-	10,086,089
Furniture and fixtures	441,906	1,857	-	-	443,763
Equipment and vehicles	1,657,547	116,131	-	34,737	1,808,415
Intangible right-of-use assets	-	27,415	-	-	27,415
Assets acquired under capital lease	34,737	-	-	(34,737)	-
Total accumulated depreciation	11,738,769	626,913	-	-	12,365,682
Total capital assets being depreciated, net	13,732,043	369,182	-	-	14,101,225
Governmental activities capital assets, net	$ 15,603,129	$ 4,480,536	$ (522,686)	$ -	$ 19,560,979

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2022

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, 2022, the Commission contracted for certain capital projects. The Commission transferred completed construction projects totaling $91,492 to the City, which are reflected in capital assets of the City as of September 30, 2022.

NOTE 22 - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated and disclosed all material subsequent events through June 28, 2023, which is the date the financial statements were available to be issued as follows:

On November 3, 2022, the City issued General Obligation Bonds, Series 2022 in the amount of $5,500,000 for cultural and recreational improvements.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1
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CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2022

	Original Budget	Final Budget
REVENUES		
Intergovernmental:		
Federal grants	$ 1,231,197	$ 2,033,023
State grants	298,150	433,994
State - shared revenue	24,021,063	24,021,063
General property taxes	19,260,000	19,260,000
Other taxes	21,000	21,000
Licenses and permits	4,484,808	4,484,808
Charges for services:		
Public safety	435,000	435,000
Sanitation	2,290,000	2,290,000
Fines and forfeitures	888,100	1,239,724
Miscellaneous	309,530	313,530
Non-revenue receipts	438,500	438,500
Total revenues	53,677,348	54,970,642
EXPENDITURES		
General government:		
Personnel	4,308,674	4,724,009
Supplies and expenses	194,515	207,915
Other services and charges	5,064,745	6,028,584
Capital outlays	31,000	34,342
Total general government	9,598,934	10,994,850
Police department:		
Personnel	11,723,398	11,724,428
Supplies and expenses	739,513	848,329
Other services and charges	647,798	1,178,559
Capital outlays	8,620	423,182
Total police department	13,119,329	14,174,498
Police and fire training:		
Personnel	41,950	49,660
Supplies and expenses	92,956	98,642
Other services and charges	64,645	67,645
Total police and fire training	199,551	215,947

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

Actual	Variance with Final Budget Favorable (Unfavorable)
$ 299,436	$ (1,733,587)
227,319	(206,675)
27,598,014	3,576,951
19,321,953	61,953
15,926	(5,074)
4,426,749	(58,059)
201,631	(233,369)
2,233,611	(56,389)
275,492	(964,232)
779,307	465,777
183,398	(255,102)
55,562,836	592,194
4,048,429	675,580
127,892	80,023
4,799,256	1,229,328
24,302	10,040
8,999,879	1,994,971
10,407,954	1,316,474
743,859	104,470
838,707	339,852
149,884	273,298
12,140,404	2,034,094
47,181	2,479
81,374	17,268
63,687	3,958
192,242	23,705

SCHEDULE 1
PAGE 2 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2022

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Fire department:		
Personnel	$ 9,145,877	$ 9,150,567
Supplies and expenses	286,800	301,300
Other services and charges	295,034	298,934
Total fire department	9,727,711	9,750,801
Land development administration:		
Personnel	694,510	694,510
Supplies and expenses	28,855	28,855
Other services and charges	209,150	269,950
Total land development administration	932,515	993,315
Public safety contractual services:		
Personnel	373,300	373,300
Other services and charges	1,005,000	1,155,000
Total public safety contractual services	1,378,300	1,528,300
Public services:		
Personnel	6,027,446	6,156,976
Supplies and expenses	1,129,920	1,277,720
Other services and charges	4,994,616	5,362,516
Capital outlays	670,000	780,000
Total public services	12,821,982	13,577,212
Animal control:		
Personnel	137,660	137,660
Supplies and expenses	13,050	14,050
Other services and charges	185,550	185,550
Total animal control	336,260	337,260

Actual	Variance with Final Budget Favorable (Unfavorable)
$ 8,482,372	$ 668,195
271,571	29,729
285,487	13,447
9,039,430	711,371
574,912	119,598
24,509	4,346
242,553	27,397
841,974	151,341
209,333	163,967
1,068,198	86,802
1,277,531	250,769
5,254,945	902,031
1,118,560	159,160
4,874,803	487,713
557,365	222,635
11,805,673	1,771,539
101,049	36,611
11,041	3,009
166,287	19,263
278,377	58,883

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2022

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Human/social assistance:		
Other services and charges	$ 311,900	$ 216,270
Total human/social assistance	311,900	216,270
Economic development:		
Other services and charges	305,000	4,113,000
Capital outlays	1,236,179	1,329,509
Total economic development	1,541,179	5,442,509
Airport:		
Supplies and expenses	17,650	17,650
Other services and charges	40,550	40,550
Total airport	58,200	58,200
Cemetery:		
Personnel	842,888	842,888
Supplies and expenses	80,650	80,650
Other services and charges	62,001	72,001
Capital outlays	61,200	61,200
Total cemetery	1,046,739	1,056,739
Parking garages:		
Personnel	62,040	62,040
Supplies and expenses	2,050	2,050
Other services and charges	54,350	48,350
Total parking garages	118,440	112,440

Actual	Variance with Final Budget Favorable (Unfavorable)
$ 200,906	$ 15,364
200,906	15,364
976,529	3,136,471
1,205,254	124,255
2,181,783	3,260,726
4,669	12,981
25,519	15,031
30,188	28,012
677,391	165,497
69,853	10,797
50,189	21,812
39,105	22,095
836,538	220,201
39,331	22,709
668	1,382
43,436	4,914
83,435	29,005

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2022

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Debt service:		
Principal payments	$ 753,122	$ 753,122
Interest payments	356,865	356,865
Pay agent fees	3,000	3,000
Total debt service	1,112,987	1,112,987
Total expenditures	52,304,027	59,571,328
Excess (deficiency) of revenues over expenditures	1,373,321	(4,600,686)
OTHER FINANCING SOURCES (USES)		
Transfers in	1,184,000	1,184,500
Transfers out	(2,757,321)	(3,347,202)
Total other financing sources (uses)	(1,573,321)	(2,162,702)
NET CHANGE IN FUND BALANCES	(200,000)	(6,763,388)
Fund balances - beginning (Non-GAAP Budgetary Basis)	12,500,000	14,472,933
Fund balances - ending (Non-GAAP Budgetary Basis)	$ 12,300,000	$ 7,709,545
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.

Actual	Variance with Final Budget Favorable (Unfavorable)
$ 754,554	$ (1,432)
353,685	3,180
3,000	-
1,111,239	1,748
49,019,599	10,551,729
6,543,237	11,143,923
1,257,100	72,600
(3,347,202)	-
(2,090,102)	72,600
4,453,135	$ 11,216,523
14,472,933	
18,926,068	
3,143,990	
$ 22,070,058	

SCHEDULE 2

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - COVID Fiscal Recovery Fund
Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental - Federal grant	$ 6,437,500	$ 6,437,910	$ 6,437,911	$ 1
Total revenues	6,437,500	6,437,910	6,437,911	1
EXPENDITURES				
Capital outlays	11,875,000	12,875,000	-	12,875,000
Total expenditures	11,875,000	12,875,000	-	12,875,000
Excess (deficiency) of revenues over expenditures	(5,437,500)	(6,437,090)	6,437,911	12,875,001
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000,000)	-	-	-
Total other financing sources (uses)	(1,000,000)	-	-	-
NET CHANGE IN FUND BALANCES	(6,437,500)	(6,437,090)	6,437,911	$ 12,875,001
Fund balances - beginning (Non-GAAP Budgetary Basis)	6,437,500	6,437,911	6,437,911	
Fund balances - ending (Non-GAAP Budgetary Basis)	$ -	$ 821	12,875,822	
ADJUSTMENTS:				
To adjust for other receivables/accruals			(6,437,911)	
Fund balances - ending (GAAP Basis)			$ 6,437,911	

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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Federal grants	$ 1,925,974	$ 1,925,974	$ -	$ (1,925,974)
State grants	3,289,511	3,289,511	4,758,140	1,468,629
State - shared revenue	1,820,000	1,820,000	1,770,803	(49,197)
Miscellaneous	-	-	1,122	1,122
Total revenues	7,035,485	7,035,485	6,530,065	(505,420)
EXPENDITURES				
Public services	1,776,288	1,798,288	1,099,698	698,590
Capital outlay	5,629,807	5,629,807	4,394,204	1,235,603
Total expenditures	7,406,095	7,428,095	5,493,902	1,934,193
Excess (deficiency) of revenues over expenditures	(370,610)	(392,610)	1,036,163	1,428,773
NET CHANGE IN FUND BALANCES	(370,610)	(392,610)	1,036,163	$ 1,428,773
Fund balances - beginning (Non-GAAP Budgetary Basis)	400,000	72,336	72,336	
Fund balances - ending (Non-GAAP Budgetary Basis)	$ 29,390	$ (320,274)	1,108,499	
ADJUSTMENTS:				
To adjust for other receivables/accruals			(530,848)	
Fund balances - ending (GAAP Basis)			$ 577,651	

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, 2022

	2022	2021	2020
City's proportion of the net pension liability (asset)	0.365326%	0.370199%	0.381271%
City's proportionate share of the net pension liability (asset)	$ 75,192,033	$ 54,717,178	$ 73,815,249
Covered payroll	$ 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	298.97%	222.30%	290.75%
Plan fiduciary net position as a percentage of the total pension liability	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, 2022

	2022	2021	2020
Contractually required contribution	$ 4,405,518	$ 4,317,268	$ 4,334,297
Contributions in relation to the contractually required contribution	(4,405,518)	(4,317,268)	(4,334,297)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 25,319,074	$ 24,811,882	$ 24,909,750
Contributions as a percentage of covered payroll	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%.

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

2019	2018	2017	2016	2015
$ 4,024,837	$ 3,719,626	$ 3,707,145	$ 3,738,948	$ 3,501,030
(4,024,837)	(3,719,626)	(3,707,145)	(3,738,948)	(3,501,030)
$ -	$ -	$ -	$ -	$ -
$ 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, 2022

	2022	2021	2020
City's proportion of the net pension liability (asset)	12.16%	12.06%	11.77%
City's proportionate share of the net pension liability (asset)	$14,520,242	$10,443,751	$14,617,877
Covered payroll**	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
Plan fiduciary net position as a percentage of the total pension liability	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, 2022

	2022	2021	2020
Contractually required contribution	$ 1,344,603	$ 1,377,105	$ 1,378,508
Contributions in relation to the contractually required contribution	(1,344,603)	(1,377,105)	(1,378,508)
Contribution deficiency (excess)	$ -	$ -	$ -
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.

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

2019	2018	2017	2016	2015
$ 1,392,033	$ 1,512,066	$ 1,334,243	$ 1,346,542	$ 1,626,692
(1,392,033)	(1,512,066)	(1,334,243)	(1,346,542)	(1,626,692)
$ -	$ -	$ -	$ -	$ -
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, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 971,677	$ 854,541	$ 825,006	$ 785,720	$ 601,832
Interest	272,948	446,341	410,359	304,750	236,232
Differences between expected and actual experience	-	(3,455,780)	-	896,966	-
Change in assumptions	-	1,078,625	-	1,391,514	-
Benefit payments	(276,053)	(259,815)	(468,268)	(436,614)	(211,305)
Net change in total OPEB liability	968,572	(1,336,088)	767,097	2,942,336	626,759
Total OPEB liability - beginning	10,536,817	11,872,905	11,105,808	8,163,472	7,536,713
Total OPEB liability - ending	$ 11,505,389	$ 10,536,817	$ 11,872,905	$ 11,105,808	$ 8,163,472
City's covered-employee payroll	$ 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	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, 2022

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:

<u>2015</u>

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, 2022

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, 2022

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%.

<u>2021</u>

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, 2022

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%.

B. ***Changes in Benefit Provisions:***

<u>2016</u>

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.

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, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75%
Salary increase	3.00% to 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PAGE FIVE
YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 - OPEB SCHEDULES

A. Changes of Assumptions:

<u>2017</u>

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.

<u>2019</u>

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

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

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

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

<u>2021</u>

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.

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.

SUPPLEMENTARY INFORMATION

SCHEDULE 9

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2022

	Special Revenue Funds (Schedule 11)	Debt Service Funds (Schedule 13)
ASSETS		
Cash and cash equivalents - unrestricted	$ 2,001,572	$ -
Cash and cash equivalents - restricted	5,627,224	7,542,242
Cash with fiscal agent - restricted	-	147,731
Due from other funds	23,179	-
Sales tax receivable	291,877	-
Intergovernmental receivables	292,048	-
Lease receivable	225,409	-
Property taxes receivable	1,238,971	2,407,863
Total assets	$ 9,700,280	$ 10,097,836
LIABILITIES		
Accounts payable	$ 199,439	$ -
Due to other funds	552,370	33,500
Due to other governments	145,939	-
Accrued wages and benefits	142,839	-
Other liabilities	417,000	-
Advances from other funds	300,000	-
Total liabilities	1,757,587	33,500
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,230,000	2,390,000
Unavailable revenue - lease revenue	225,409	-
Total deferred inflows of resources	1,455,409	2,390,000
FUND BALANCES		
Restricted:		
Public safety:		
Fire protection	892,685	-
Law enforcement	48,829	-
Public services	1,934,174	-
Mass transit	1,211,836	-
Debt service	-	7,674,336
Culture and recreation	1,564,907	-
Economic development	266,716	-
Committed:		
Culture and recreation	970,123	-
Unassigned	(401,986)	-
Total fund balances	6,487,284	7,674,336
Total liabilities, deferred inflows of resources, and fund balances	$ 9,700,280	$ 10,097,836

See independent auditor’s report.

Capital Project Funds (Schedule 15)	Total Nonmajor Governmental Funds (Exhibit C)
$ -	$ 2,001,572
949,623	14,119,089
-	147,731
-	23,179
-	291,877
-	292,048
-	225,409
-	3,646,834
$ 949,623	$ 20,747,739
$ -	$ 199,439
-	585,870
-	145,939
-	142,839
-	417,000
-	300,000
-	1,791,087
-	3,620,000
-	225,409
-	3,845,409
-	892,685
946,441	995,270
-	1,934,174
-	1,211,836
-	7,674,336
2,359	1,567,266
823	267,539
-	970,123
-	(401,986)
949,623	15,111,243
$ 949,623	$ 20,747,739

SCHEDULE 10

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended September 30, 2022

	Special Revenue Funds (Schedule 12)	Debt Service Funds (Schedule 14)
REVENUES		
General property taxes	$ 1,230,136	$ 3,469,740
Special sales tax collections	3,482,968	-
Internet sales tax	3,738,976	-
Fines, forfeitures and penalties	19,077	-
Interest, rents and concessions	20,040	19,260
Intergovernmental revenues	4,408,981	719,194
Charges for services	391,685	-
Other revenues	23,490	495
Total revenues	13,315,353	4,208,689
EXPENDITURES		
Current:		
Public safety	122,974	-
Public services	2,318,888	-
Other services	1,288,814	24,940
Mass transit	1,882,615	-
Culture and recreation	7,336,148	-
Human/social assistance	522,631	-
Debt service:		
Principal payments	69,381	2,626,105
Interest and fiscal charges	6,494	2,559,882
Total expenditures	13,547,945	5,210,927
Excess (deficiency) of revenues over expenditures	(232,592)	(1,002,238)
OTHER FINANCING SOURCES (USES)		
Transfers in	3,340,387	66,407
Other sources	531	-
Total other financing sources (uses)	3,340,918	66,407
NET CHANGE IN FUND BALANCES	3,108,326	(935,831)
Fund balances - beginning	3,378,958	8,610,167
Fund balances - ending	$ 6,487,284	$ 7,674,336

See independent auditor’s report.

Capital Project Funds (Schedule 16)	Total Nonmajor Governmental Funds (Exhibit D)
$ -	$ 4,699,876
-	3,482,968
-	3,738,976
-	19,077
3,343	42,643
-	5,128,175
-	391,685
-	23,985
3,343	17,527,385
-	122,974
18,000	2,336,888
-	1,313,754
-	1,882,615
-	7,336,148
-	522,631
-	2,695,486
-	2,566,376
18,000	18,776,872
(14,657)	(1,249,487)
-	3,406,794
-	531
-	3,407,325
(14,657)	2,157,838
964,280	12,953,405
$ 949,623	$ 15,111,243

SCHEDULE 11

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Special Revenue Funds
September 30, 2022

	PARKS & RECREATION	MUNICIPAL FIRE PROTECTION	SPECIAL STREET	POLICE FORFEITURES	AIRPORT IMPROVEMENT
ASSETS					
Cash and cash equivalents - unrestricted	$ 930,750	$ -	$ -	$ 27,300	$ 184,283
Cash and cash equivalents - restricted	-	892,639	266,716	48,829	-
Due from other funds	-	46	-	864	-
Sales tax receivable	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
Lease receivable	-	-	-	-	225,409
Property taxes receivable	992,162	-	-	-	-
Total assets	$ 1,922,912	$ 892,685	$ 266,716	$ 76,993	$ 409,692
LIABILITIES					
Accounts payable	$ 20,088	$ -	$ -	$ -	$ 15,977
Due to other funds	1,118	-	-	-	550,000
Due to other governments	-	-	-	-	-
Accrued wages and benefits	63,122	-	-	-	-
Other liabilities	1,350	-	-	28,164	-
Advances from other funds	-	-	-	-	-
Total liabilities	85,678	-	-	28,164	565,977
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	985,000	-	-	-	-
Unavailable revenue - lease revenue	-	-	-	-	225,409
Total deferred inflows of resources	985,000	-	-	-	225,409
FUND BALANCES					
Restricted:					
Public safety:					
Fire protection	-	892,685	-	-	-
Law enforcement	-	-	-	48,829	-
Public services	-	-	-	-	-
Mass transit	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	266,716	-	-
Committed:					
Culture and recreation	852,234	-	-	-	-
Unassigned	-	-	-	-	(381,694)
Total fund balances	852,234	892,685	266,716	48,829	(381,694)
Total liabilities, deferred inflows of resources, and fund balances	$ 1,922,912	$ 892,685	$ 266,716	$ 76,993	$ 409,692

See independent auditor’s report.

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	SPECIAL 1% SALES TAX	INTERNET SALES TAX	GROUP INSURANCE	TOTAL
$ 14,686	$ 142,896	$ 242,930	$ 52,436	$ 56,244	$ 350,047	$ 2,001,572
1,211,836	-	-	1,273,030	1,934,174	-	5,627,224
-	-	-	-	-	22,269	23,179
-	-	-	291,877	-	-	291,877
147,703	-	44,345	100,000	-	-	292,048
-	-	-	-	-	-	225,409
246,809	-	-	-	-	-	1,238,971
$ 1,621,034	$ 142,896	$ 287,275	$ 1,717,343	$ 1,990,418	$ 372,316	$ 9,700,280
$ 102,167	$ 249	$ 167	$ 4,547	$ 56,244	$ -	$ 199,439
735	337	154	26	-	-	552,370
-	-	-	145,939	-	-	145,939
61,296	9,251	7,246	1,924	-	-	142,839
-	15,170	-	-	-	372,316	417,000
-	-	300,000	-	-	-	300,000
164,198	25,007	307,567	152,436	56,244	372,316	1,757,587
245,000	-	-	-	-	-	1,230,000
-	-	-	-	-	-	225,409
245,000	-	-	-	-	-	1,455,409
-	-	-	-	-	-	892,685
-	-	-	-	-	-	48,829
-	-	-		1,934,174	-	1,934,174
1,211,836	-	-	-	-	-	1,211,836
-	-	-	1,564,907	-	-	1,564,907
-	-	-	-	-	-	266,716
-	117,889	-	-	-	-	970,123
-	-	(20,292)	-	-	-	(401,986)
1,211,836	117,889	(20,292)	1,564,907	1,934,174	-	6,487,284
$ 1,621,034	$ 142,896	$ 287,275	$ 1,717,343	$ 1,990,418	$ 372,316	$ 9,700,280

SCHEDULE 12

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds
Year Ended September 30, 2022

	PARKS & RECREATION	MUNICIPAL FIRE PROTECTION	SPECIAL STREET	POLICE FORFEITURES	AIRPORT IMPROVEMENT
REVENUES					
General property taxes	$ 982,084	$ -	$ -	$ -	$ -
Special sales tax collections	-	-	-	-	-
Internet sales tax	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	19,077	-
Interest, rents and concessions	2,850	3,027	1,668	31	7,884
Intergovernmental revenues	506,660	615,950	77,979	-	859,511
Charges for services	62,027	95,652	-	-	-
Other revenues	600	-	-	-	15,401
Total revenues	1,554,221	714,629	79,647	19,108	882,796
EXPENDITURES					
Current:					
Public safety	-	60,411	-	62,563	-
Public services	-	-	-	-	-
Other services	-	-	-	-	1,288,814
Mass transit	-	-	-	-	-
Culture and recreation	3,217,546	-	-	-	-
Human/social assistance	-	-	-	-	-
Debt service:					
Principal payments	-	69,381	-	-	-
Interest and fiscal charges	-	6,494	-	-	-
Total expenditures	3,217,546	136,286	-	62,563	1,288,814
Excess (deficiency) of revenues over expenditures	(1,663,325)	578,343	79,647	(43,455)	(406,018)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,768,984	-	-	-	250,000
Other sources	531	-	-	-	-
Total other financing sources (uses)	1,769,515	-	-	-	250,000
NET CHANGE IN FUND BALANCES	106,190	578,343	79,647	(43,455)	(156,018)
Fund balances - beginning	746,044	314,342	187,069	92,284	(225,676)
Fund balances - ending	$ 852,234	$ 892,685	$ 266,716	$ 48,829	$ (381,694)

See independent auditor’s report.

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	SPECIAL 1% SALES TAX	INTERNET SALES TAX	GROUP INSURANCE	TOTAL
$ 248,052	$ -	$ -	$ -	$ -	$ -	$ 1,230,136
-	-	-	3,482,968	-	-	3,482,968
-	-	-	-	3,738,976	-	3,738,976
-	-	-	-	-	-	19,077
2,067	773	896	171	673	-	20,040
1,635,588	-	613,293	100,000	-	-	4,408,981
213,362	20,644	-	-	-	-	391,685
613	-	1,949	4,927	-	-	23,490
2,099,682	21,417	616,138	3,588,066	3,739,649	-	13,315,353
-	-	-	-	-	-	122,974
-	-	-	-	2,318,888	-	2,318,888
-	-	-	-	-	-	1,288,814
1,882,615	-	-	-	-	-	1,882,615
-	817,916	-	3,300,686	-	-	7,336,148
-	-	522,631	-	-	-	522,631
-	-	-	-	-	-	69,381
-	-	-	-	-	-	6,494
1,882,615	817,916	522,631	3,300,686	2,318,888	-	13,547,945
217,067	(796,499)	93,507	287,380	1,420,761	-	(232,592)
434,533	850,523	36,347	-	-	-	3,340,387
-	-	-	-	-	-	531
434,533	850,523	36,347	-	-	-	3,340,918
651,600	54,024	129,854	287,380	1,420,761	-	3,108,326
560,236	63,865	(150,146)	1,277,527	513,413	-	3,378,958
$ 1,211,836	$ 117,889	$ (20,292)	$ 1,564,907	$ 1,934,174	$ -	$ 6,487,284

SCHEDULE 13

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Debt Service Funds
September 30, 2022

	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	$ 136,071	$ 4,943,411	$ 364,518	$ 216,660	$ 244,516
Cash with fiscal agent - restricted	-	-	-	-	-
Property taxes receivable	-	2,407,863	-	-	-
Total assets	$ 136,071	$ 7,351,274	$ 364,518	$ 216,660	$ 244,516
LIABILITIES					
Due to other funds	$ -	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	2,390,000	-	-	-
Total deferred inflows of resources	-	2,390,000	-	-	-
FUND BALANCES					
Restricted:					
Debt service	136,071	4,961,274	364,518	216,660	244,516
Total fund balances	136,071	4,961,274	364,518	216,660	244,516
Total liabilities, deferred inflows of resources, and fund balances	$ 136,071	$ 7,351,274	$ 364,518	$ 216,660	$ 244,516

See independent auditor’s report.

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
$ 118,337	$ 251	$ 603,777	$ 108,770	$ 122,076	$ 20,983	$ 662,872	$ 7,542,242
-	-	-	-	-	-	147,731	147,731
-	-	-	-	-	-	-	2,407,863
$ 118,337	$ 251	$ 603,777	$ 108,770	$ 122,076	$ 20,983	$ 810,603	$ 10,097,836
$ -	$ 1,500	$ -	$ 25,000	$ -	$ 7,000	$ -	$ 33,500
-	1,500	-	25,000	-	7,000	-	33,500
-	-	-	-	-	-	-	2,390,000
-	-	-	-	-	-	-	2,390,000
118,337	(1,249)	603,777	83,770	122,076	13,983	810,603	7,674,336
118,337	(1,249)	603,777	83,770	122,076	13,983	810,603	7,674,336
$ 118,337	$ 251	$ 603,777	$ 108,770	$ 122,076	$ 20,983	$ 810,603	$ 10,097,836

SCHEDULE 14

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds Year Ended September 30, 2022

	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	$ 27,667	$ 2,454,941	$ 138,876	$ 200,000	$ 115,000
Interest, rents and concessions	363	12,939	806	585	533
Intergovernmental revenues	32,128	-	141,401	-	61,945
Other revenues	-	-	-	-	-
Total revenues	60,158	2,467,880	281,083	200,585	177,478
EXPENDITURES					
Current:					
Other services	-	24,940	-	-	-
Debt service:					
Principal payments	38,685	1,640,420	170,000	145,000	100,000
Interest and fiscal charges	19,928	2,055,256	75,213	47,995	41,480
Total expenditures	58,613	3,720,616	245,213	192,995	141,480
Excess (deficiency) of revenues over expenditures	1,545	(1,252,736)	35,870	7,590	35,998
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
NET CHANGE IN FUND BALANCES	1,545	(1,252,736)	35,870	7,590	35,998
Fund balances - beginning	134,526	6,214,010	328,648	209,070	208,518
Fund balances - ending	$ 136,071	$ 4,961,274	$ 364,518	$ 216,660	$ 244,516

See independent auditor’s report.

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
$ 98,000	$ -	$ 167,296	$ 34,040	$ 89,571	$ 10,707	$ 133,642	$ 3,469,740
100	1	1,529	408	255	36	1,705	19,260
-	-	205,773	70,624	29,858	13,086	164,379	719,194
-	-	-	-	-	-	495	495
98,100	1	374,598	105,072	119,684	23,829	300,221	4,208,689
-	-	-	-	-	-	-	24,940
50,000	-	182,000	51,000	71,000	12,000	166,000	2,626,105
4,850	1,740	99,323	24,605	50,368	10,300	128,824	2,559,882
54,850	1,740	281,323	75,605	121,368	22,300	294,824	5,210,927
43,250	(1,739)	93,275	29,467	(1,684)	1,529	5,397	(1,002,238)
-	-	-	-	-	-	66,407	66,407
-	-	-	-	-	-	66,407	66,407
43,250	(1,739)	93,275	29,467	(1,684)	1,529	71,804	(935,831)
75,087	490	510,502	54,303	123,760	12,454	738,799	8,610,167
$ 118,337	$ (1,249)	$ 603,777	$ 83,770	$ 122,076	$ 13,983	$ 810,603	$ 7,674,336

SCHEDULE 15

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Capital Project Funds
September 30, 2022

	TIF CONSTRUCTION	BOND CONSTRUCTION	KAMPER PARK/ZOO IMPROVEMENTS	TOTAL
ASSETS				
Cash and cash equivalents - restricted	$ 823	$ 946,441	$ 2,359	$ 949,623
Total assets	$ 823	$ 946,441	$ 2,359	$ 949,623
FUND BALANCES				
Restricted:				
Public safety - law enforcement	$ -	$ 946,441	$ -	$ 946,441
Culture and recreation	-	-	2,359	2,359
Economic development	823	-	-	823
Total fund balances	823	946,441	2,359	949,623
Total fund balances	$ 823	$ 946,441	$ 2,359	$ 949,623

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, 2022

	TIF CONSTRUCTION	BOND CONSTRUCTION	KAMPER PARK/ZOO IMPROVEMENTS	TOTAL
REVENUES				
Interest, rents and concessions	$ 2	$ 3,332	$ 9	$ 3,343
Total revenues	2	3,332	9	3,343
EXPENDITURES				
Current:				
Public services	-	18,000	-	18,000
Total expenditures	-	18,000	-	18,000
Excess (deficiency) of revenues over expenditures	2	(14,668)	9	(14,657)
NET CHANGE IN FUND BALANCES	2	(14,668)	9	(14,657)
Fund balances - beginning	821	961,109	2,350	964,280
Fund balances - ending	$ 823	$ 946,441	$ 2,359	$ 949,623

See independent auditor’s report.

SCHEDULE 17
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Departmental Expenditures - Budgetary Basis - General Fund
Year Ended September 30, 2022

	PERSONNEL SERVICES	SUPPLIES & EXPENSES
GENERAL GOVERNMENT		
City Council	$ 366,914	$ 880
Mayor/Administration	699,592	10,851
Municipal Clerk	224,704	1,607
Accounting Division	307,278	4,206
Purchasing Division	129,174	834
City Attorney	87,770	-
Human Resources Division	175,488	4,755
Loss Control Division	68,987	3,181
Urban Development	438,541	9,727
Information Systems	278,846	34,794
Metro Planning	135,484	4,942
General Government Building	-	16,634
General Government - Other	-	-
Intermodal Facility	-	4,602
Federal Grant Administration	97,520	1,717
City Court	1,038,136	29,164
Total General Government	4,048,434	127,894
PUBLIC SAFETY		
Police Department	10,407,954	743,858
Police and Fire Training	47,182	81,374
Fire Department	8,482,372	271,572
Land Development Administration	574,911	24,509
Contractual Services	209,335	-
Total Public Safety	19,721,754	1,121,313
PUBLIC SERVICE		
Traffic Maintenance	261,412	124,200
Street Division	893,357	329,944
Street Lights	-	-
Engineering	541,857	8,831
Shop Division	375,510	21,838
Garage and Office	-	1,394
Drainage Division	-	7,763
Construction Division	573,595	99,901
Sanitation Division	1,459,506	390,065
Health Division	1,149,707	134,624
Total Public Service	5,254,944	1,118,560

See independent auditor’s report.

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
$ 221,478	$ 128	$ -	$ 589,400
177,264	1,701	-	889,408
19,560	-	-	245,871
2,539	-	-	314,023
2,760	-	-	132,768
-	-	-	87,770
4,239	-	-	184,482
3,015	-	-	75,183
69,316	-	-	517,584
801,799	22,473	-	1,137,912
15,283	-	-	155,709
128,944	-	-	145,578
2,869,555	-	-	2,869,555
55,174	-	-	59,776
6,402	-	-	105,639
421,921	-	-	1,489,221
4,799,249	24,302	-	8,999,879
838,708	149,884	-	12,140,404
63,686	-	-	192,242
285,488	-	-	9,039,432
242,551	-	-	841,971
1,068,198	-	-	1,277,533
2,498,631	149,884	-	23,491,582
57,827	-	-	443,439
1,543,524	-	-	2,766,825
1,363,425	-	-	1,363,425
220,478	-	-	771,166
48,072	-	-	445,420
16,142	-	-	17,536
29,985	448,383	-	486,131
111,608	-	-	785,104
1,480,405	108,982	-	3,438,958
3,339	-	-	1,287,670
4,874,805	557,365	-	11,805,674

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Departmental Expenditures - Budgetary Basis - General Fund
Year Ended September 30, 2022

	PERSONNEL SERVICES	SUPPLIES & EXPENSES
HUMAN/SOCIAL ASSISTANCE		
Human/Social Assistance	$ -	$ -
Total Human/Social Assistance	-	-
ECONOMIC DEVELOPMENT		
Economic Development	-	-
Total Economic Development	-	-
OTHER SERVICES		
Animal Control	101,049	11,042
Airport	-	4,669
Cemetery	677,391	69,851
Parking Operations	39,331	668
Total Other Services	817,771	86,230
DEBT SERVICE	-	-
TOTAL DEPARTMENTAL EXPENDITURES	$ 29,842,903	$ 2,453,997

See independent auditor’s report.

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
$ 200,906	$ -	$ -	$ 200,906
200,906	-	-	200,906
976,529	1,205,253	-	2,181,782
976,529	1,205,253	-	2,181,782
166,287	-	-	278,378
25,519	-	-	30,188
50,187	39,106	-	836,535
43,436	-	-	83,435
285,429	39,106	-	1,228,536
-	-	1,111,239	1,111,239
$ 13,635,549	$ 1,975,910	$ 1,111,239	$ 49,019,598

SCHEDULE 18

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Fiduciary Net Position - Agency Funds
September 30, 2022

	Tax Collectors Fund	Industrial Park Fund	Hattiesburg Special Sales Tax	Total
ASSETS				
Cash and cash equivalents	$ 86,710	$ 163,785	$ -	$ 250,495
Other receivables	605,736	-	-	605,736
Sales tax receivable	-	-	80,028	80,028
Total assets	$ 692,446	$ 163,785	$ 80,028	$ 936,259
LIABILITIES				
Due to other funds	$ 375,933	$ -	$ -	$ 375,933
Other liabilities	4,687	2,525	-	7,212
Total liabilities	380,620	2,525	-	383,145
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	311,826	161,260	80,028	553,114
Total net position	311,826	161,260	80,028	553,114
Total liabilities and net position	$ 692,446	$ 163,785	$ 80,028	$ 936,259

See independent auditor’s report.

SCHEDULE 19

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Changes in Fiduciary Net Position - Agency Funds
Year Ended September 30, 2022

	Tax Collectors Fund	Industrial Park Fund	Hattiesburg Special Sales Tax	Total
ADDITIONS				
Property tax revenues	$ 48,912,925	$ -	$ -	$ 48,912,925
Sales tax revenues	-	-	1,034,076	1,034,076
Intergovernmental revenues	-	475,000	-	475,000
Interest	456	955	-	1,411
Total additions	48,913,381	475,955	1,034,076	50,423,412
DEDUCTIONS				
Payments of taxes to other funds	49,088,550	-	-	49,088,550
Administrative expense	-	67,984	-	67,984
Other expense	-	552,122	1,044,894	1,597,016
Total deductions	49,088,550	620,106	1,044,894	50,753,550
CHANGE IN FIDUCIARY NET POSITION	(175,169)	(144,151)	(10,818)	(330,138)
NET POSITION - BEGINNING	486,995	305,411	90,846	883,252
NET POSITION - ENDING	$ 311,826	$ 161,260	$ 80,028	$ 553,114

See independent auditor's report.

SCHEDULE 20

CITY OF HATTIESBURG, MISSISSIPPI

Schedule of Surety Bonds for Municipal Officials
September 30, 2022

Name	Position	Insurance Company		Amount
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, 2022

EXPENSES - Sanitation Cost Center (General Fund):		
Personnel costs	$	1,459,506
Supplies		390,065
Other services and charges		1,480,405
Total expenses (other than capital outlay) sanitation cost center		3,329,976
Depreciation expense		174,846
Allocation of certain expenses in Other Cost Centers:		
50% of shop cost center - repair and maintenance		222,710
Indirect cost allocation - 10% of administration cost centers		217,801
Total calculated expenses - full cost basis	$	3,945,333
Number of tons of solid waste collected and disposed of by City:		
Sanitation trucks:		
Garbage (tons)		1,829
Trash (tons)		43,738
Total tons solid waste		45,567
Distribution of residential and non-residential costs:		
Residential (84%)	$	3,314,080
Non-residential (16%)		631,253
Total distribution	$	3,945,333

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, 2022

Revenues (Special Sales Tax Fund):		
Additional 1% Sales Taxes		
Restaurants	$	2,984,166
Hotels and motels		498,802
Total additional 1% sales taxes		3,482,968
Other revenues		
Miscellaneous		4,927
Intergovernmental revenue		100,000
Interest		171
Total other revenues		105,098
Total revenues		3,588,066
Expenditures		
Culture and recreation		1,558,880
Payments to USM of 1/2 of special taxes collected		1,741,484
Miscellaneous		322
Total expenditures		3,300,686
NET CHANGE IN FUND BALANCE		287,380
Fund balance - beginning		1,277,527
Fund balance - ending	$	1,564,907

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, 2022

	OPERATIONS AND MAINTENANCE FUND	BOND AND INTEREST FUND	REVENUE FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 677,995	$ -	$ 4,173,579
Cash and cash equivalents - restricted	-	3,973,952	-
Cash with fiscal agent - restricted	-	30,313,541	-
Prepaid insurance - bonds	-	430,807	-
Due from other funds	1,511,216	1,334,998	-
Total current assets	2,189,211	36,053,298	4,173,579
Total assets	$ 2,189,211	$ 36,053,298	$ 4,173,579
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	$ -	$ -	$ 1,973
Sales tax payable	-	-	264,031
Due to other funds	-	-	2,596,670
Total current liabilities	-	-	2,862,674
Total liabilities	-	-	2,862,674
NET POSITION	2,189,211	36,053,298	1,310,905
Total liabilities and net position	$ 2,189,211	$ 36,053,298	$ 4,173,579

See independent auditor’s report.

ENVIRONMENTAL ESCROW FUND	CONSTRUCTION FUND	2016 CONSTRUCTION FUND	2012 CONSTRUCTION FUND	2010 CONSTRUCTION FUND
$ -	$ -	$ -	$ -	$ -
-	1,777,093	-	-	-
100,217	-	1,676,138	64	572
-	-	-	-	-
-	143,549	-	-	-
100,217	1,920,642	1,676,138	64	572
$ 100,217	$ 1,920,642	$ 1,676,138	$ 64	$ 572
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
100,217	1,920,642	1,676,138	64	572
$ 100,217	$ 1,920,642	$ 1,676,138	$ 64	$ 572

SCHEDULE 24

CITY OF HATTIESBURG, MISSISSIPPI

Water and Sewer Budget Basis Statements of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2022

	OPERATIONS AND MAINTENANCE FUND	BOND AND INTEREST FUND	REVENUE FUND
OPERATING REVENUES	$ 59,660	$ -	$ 24,425,677
OPERATING EXPENSES			
Personnel services	2,880,749	-	-
Supplies and expenses	1,399,718	-	-
Other services and charges	8,822,696	-	-
Other operating expenses	278,496	-	12,209
Total operating expenses	13,381,659	-	12,209
OPERATING INCOME (LOSS)	(13,321,999)	-	24,413,468
NON-OPERATING REVENUES (EXPENSES)			
Principal payments on notes	-	(4,944,975)	-
Interest expense	-	(1,310,353)	(11,450)
Interest revenue	4,902	17,407	10,565
Intergovernmental revenues	-	-	-
Other revenue	-	104,570	2,865
Other expense	(8,554)	-	-
Total non-operating revenues (expenses)	(3,652)	(6,133,351)	1,980
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(13,325,651)	(6,133,351)	24,415,448
OPERATING TRANSFERS			
Operating transfers in	13,700,000	7,953,906	-
Operating transfers out	-	-	(24,427,921)
Total operating transfers	13,700,000	7,953,906	(24,427,921)
CHANGES IN NET POSITION	$ 374,349	$ 1,820,555	$ (12,473)

See independent auditor's report.

ENVIRONMENTAL ESCROW FUND	CONSTRUCTION FUND	2016 CONSTRUCTION FUND	2012 CONSTRUCTION FUND	2010 CONSTRUCTION FUND
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	601,486	-	-	-
-	3,724,079	450,248	-	-
-	4,325,565	450,248	-	-
-	(4,325,565)	(450,248)	-	-
-	-	-	-	-
-	-	-	-	-
217	13,911	3,237	-	-
-	251,744	-	-	-
-	54,942	-	-	-
-	-	-	-	-
217	320,597	3,237	-	-
217	(4,004,968)	(447,011)	-	-
50,000	1,900,015	-	-	-
-	-	-	-	-
50,000	1,900,015	-	-	-
$ 50,217	$ (2,104,953)	$ (447,011)	$ -	$ -

SCHEDULE 25

CITY OF HATTIESBURG, MISSISSIPPI

Water and Sewer Budget Basis Operation and Maintenance Cost Centers
Year Ended September 30, 2022

	Personnel Services	Supplies and Expenses	Other Services and Charges	Capital Outlays	Total
Office	$ 704,991	$ 52,240	$ 393,398	$ 41,304	$ 1,191,933
Transmission	954,482	749,322	2,400,200	58,289	4,162,293
Plant	526,490	87,395	1,445,968	110,503	2,170,356
Sewer	374,623	255,969	2,554,783	68,400	3,253,775
Sewer lagoon	320,163	254,792	2,028,347	-	2,603,302
Total expenses	$ 2,880,749	$ 1,399,718	$ 8,822,696	$ 278,496	$ 13,381,659

See independent auditor’s report.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Pass-Through Programs From:				
Governor's Department of Housing and Urban Development				
CDBG Entitlement Grants - Cluster:				
Community Development Block Grants / Entitlement Grants	14.218	MC-28-0006	$ 531,547	
Total - *CDBG Entitlement Grants Cluster*			531,547	
HOME Investment Partnerships Program	14.239	MC-28-0201	29,550	
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	47,877	
Total U.S. Department of Housing and Urban Development Pass-Through Programs			608,974	
U.S. Department of the Interior				
Pass-Through Programs From:				
Mississippi Department of Archives and History				
Heritage Partnership	15.939	CHPG#2019-0010	102,400	
Total U.S. Department of the Interior Pass-Through Programs			102,400	

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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Justice				
Office of Justice Programs:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	$ 5,305	
Office of Justice Programs:				
Violence Against Women Formula Grants	16.588	N/A	50,055	
Bulletproof Vest Partnership Program	16.607	N/A	5,145	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	13,796	$ 5,176
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	8,125	8,125
			21,921	
Total U.S. Department of Justice Direct Programs			82,426	
Pass-Through Programs From:				
Mississippi Department of Health				
OVW Technical Assistance Initiative	16.526	2021-ST-019	34,164	
Total U.S. Department of Justice Pass-Through Programs			34,164	
U.S. Department of Transportation				
Federal Aviation Administration				
Airport Improvement Program	20.106	N/A	133,710	
Airport Improvement Program	20.106	N/A	32,000	

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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Transportation (Cont.)				
Federal Aviation Administration				
COVID-19 Airport Improvement Program	20.106	N/A	$ 13,000	
Airport Improvement Program	20.106	N/A	1,112,440	
COVID-19 Airport Improvement Program	20.106	N/A	30,000	
Total - Federal Aviation Administration Direct Programs			1,321,150	
Federal Transit Administration				
Federal Transit Cluster:				
Federal Transit Formula Grants:				
Mass Transit Operating	20.507	N/A	85,079	
Mass Transit Capital	20.507	N/A	9,300	
Mass Transit Capital	20.507	N/A	24,172	
Mass Transit Operating	20.507	N/A	82,509	
Mass Transit Preventive	20.507	N/A	245,799	
Mass Transit Operating	20.507	N/A	716,353	
Mass Transit Paratransit	20.507	N/A	198,425	
Metro Planning	20.507	N/A	140,800	
Mass Transit Capital	20.507	N/A	116,900	
Mass Transit Capital	20.507	N/A	73,493	
Total - Federal Transit Cluster			1,692,830	
Total U.S. Department of Transportation Direct Programs			3,013,980	

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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Transportation (Cont.)				
Federal Highway Administration				
Pass-Through Programs From:				
Mississippi Department of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction:				
Metropolitan Planning Organization	20.205	N/A	$ 163,111	
Hall Avenue West Overpass Build Grant	20.205	FBLD-8769-00(001)108639-801000	666,634	
Country Club Road Improvements	20.205	STP-8760-00(005)LPA/108134-701000	1,374,689	
Hardy Street Roundabout Improvements	20.205	STP-0210-00(037)LPA/108081-701000	840,505	
Total - Highway Planning and Construction Cluster			3,044,939	
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	40,801	
Total U.S. Department of Transportation Pass-Through Programs			40,801	

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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	$ 105,079	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	62,499	
			167,578	
Total U.S. Department of Health and Human Services Direct Programs			167,578	
Executive Office of the President				
Pass-Through Program From:				
Mississippi Bureau of Narcotics				
High Intensity Drug Trafficking Areas Program	95.001	G21GC0003A	12,817	
High Intensity Drug Trafficking Areas Program	95.001	G22GC0003A	6,178	
			18,995	
Total Executive Office of the President Pass-Through Programs			18,995	
U.S. Department of Homeland Security				
Pass-Through Programs From:				
Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	FEMA-4415-DR-MS	27,613	
(Presidentially Declared Disasters)	97.036	FEMA-4626-DR-MS	41,800	
			69,413	
Total U.S. Department of Homeland Security Pass-Through Programs			69,413	
Total Expenditures of Federal Awards			$ 7,183,670	$ 13,301

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, 2022

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, 2022. 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, 2022 totaled $13,301.

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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, 2022, 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 28, 2023.

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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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 2022-001 through 2022-005 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.

TMH

Hattiesburg, Mississippi
June 28, 2023

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

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, 2022. 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, 2022.

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.

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

- 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.
- 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.

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

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.

TMH

Hattiesburg, Mississippi
June 28, 2023

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Opinion Unit	Opinion
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:	
Federal Aviation Administration Airport Improvement Program	Unmodified
Highway Planning and Construction Cluster	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

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

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Federal Aviation Administration Airport Improvement Program
20.205	Highway Planning and Construction Cluster

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

Section II - Financial Statement Findings

Finding:

Finding 2022-001	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, 2022.

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 2022.

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, 2022

Section II - Financial Statement Findings (Cont.)

Finding 2022-001 Entity-Level Control Environment and Risk Assessment Processes (Cont.)

Effect - Previously identified material weaknesses in internal control continued unmitigated in fiscal year 2022.

Identification of Repeat Finding 2021-001

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 2022-002 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, 2022

Section II - Financial Statement Findings (Cont.)

Finding 2022-002 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 2021-002

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 2022-003 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, 2022

Section II - Financial Statement Findings (Cont.)

Finding 2022-003 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 2021-003

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.

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CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

Section II - Financial Statement Findings (Cont.)

Finding:

Finding 2022-004 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.

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CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

Section II - Financial Statement Findings (Cont.)

Finding 2022-004 Water and Sewer Customer Accounts Receivable (Cont.)

Identification of Repeat Finding 2021-005

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 2022-005 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, 2022

Section II - Financial Statement Findings (Cont.)

Finding 2022-005 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 2021-006

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, 2022

Auditee Corrective Action Plan

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

Audit Period: September 30, 2022

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

2022-001 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 is expected to be operational August 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 2023

2022-002 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 is expected to be operational August 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 2023

2022-003 Financial Statement Adjustment, Close, and Disclosure

Finding 2022-003 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 2022-001 and 2022-002, the City has purchased financial software, which became operation 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, is expected to be operational August 2023.

Name of Responsible Person:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2023

2022-004 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 is expected to be fully implemented August 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 2023

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Auditee Corrective Action Plan (Cont.)

2022-005 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 2023

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CITY OF HATTIESBURG, MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2022

MAYOR
Toby Barker

COUNCIL - WARD ONE	COUNCIL - WARD TWO	COUNCIL - WARD THREE	COUNCIL - WARD FOUR	COUNCIL - WARD FIVE
Jeffrey George	*Deborah Denard Delgado*	*Carter Carroll*	*Dave Ware*	*Nicholas Brown*

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022

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.*

2021-001 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, 2021.

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

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

2021-002 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.

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2022 (Cont.)

Current Status - As mentioned in the current status to Finding 2021-001, 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.

2021-003 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 2021-002, 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 will be operational August 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.

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2021 (Cont.)

2021-004 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.

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.

2021-005 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, 2022, and have issued our report dated June 28, 2023. 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.

TMH

Hattiesburg, Mississippi
June 28, 2023

STATISTICAL INFORMATION
(UNAUDITED)

TABLE 1

CITY OF HATTIESBURG, MISSISSIPPI

NET POSITION BY COMPONENTS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	$ 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	$ 112,905,526
Restricted for:										
Debt service	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	3,403,781
Capital projects	10,741,492	21,339,899	30,834,556	-	-	-	-	-	50,515	-
Other purposes	-	-	-	-	-	-	-	-	1,794,732	-
Federal program	-	-	-	-	-	-	-	1,913,562	10,593	-
Unrestricted	(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	10,786,997
Governmental activities net position	$ 88,331,497	$ 73,236,117	$ 50,682,209	$ 53,429,228	$ 57,043,332	$ 63,503,991	$ 66,869,395	$ 70,236,924	$ 126,069,321	$ 127,096,304
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	$ 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	$ 63,029,378
Restricted for:										
Debt service	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	3,455,873	6,148,826	6,328,731	-	-	-	-	-	-	-
Unrestricted	(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	5,522,689
Business-type activities net position	$ 77,751,096	$ 73,339,156	$ 70,447,126	$ 64,328,856	$ 61,860,513	$ 59,332,924	$ 57,197,908	$ 48,405,900	$ 70,344,182	$ 68,552,067
PRIMARY GOVERNMENT:										
Net investment in capital assets	$ 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	$ 175,934,904
Restricted for:										
Debt service	15,713,730	13,598,067	16,139,611	16,912,068	146,033,147	144,429,292	123,993,817	154,807,240	169,013,730	175,934,904
Capital projects	14,197,365	27,488,725	37,163,287	-	-	-	-	-	50,515	-
Other purposes	-	-	-	-	-	-	-	-	1,794,732	-
Federal program	-	-	-	-	-	-	-	1,913,562	10,593	-
Unrestricted	(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	16,309,686
Primary government net position	$ 166,082,593	$ 146,575,273	$ 121,129,335	$ 117,758,084	$ 249,672,217	$ 253,418,648	$ 243,960,210	$ 264,549,004	$ 356,824,495	$ 368,179,494

See independent auditor's report.

TABLE 2

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GOVERNMENTAL ACTIVITIES:										
General government	$ 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	$ 6,424,709
Public safety	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	21,339,689
Public services	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	18,356,293
Other services	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	1,751,307
Mass transit	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	1,104,428
Cultural and recreation	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	4,481,390
Human/social assistance	584,345	626,487	475,730	576,634	947,143	772,346	746,355	712,985	1,130,925	889,795
Economic development	2,181,782	1,037,317	4,353,707	1,070,757	305,000	255,000	5,319,409	208,115	286,500	160,000
Interest and fiscal charges	2,830,886	2,840,774	2,161,961	1,644,427	960,978	1,119,296	976,120	990,023	893,887	1,089,410
Total governmental activities expenses	77,299,501	70,879,822	70,976,997	69,358,610	63,405,347	66,446,722	67,760,506	58,370,621	53,773,821	55,597,021
BUSINESS-TYPE ACTIVITIES:										
Water and sewer system	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	10,448,403
Interest and fiscal charges	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	1,421,749
Total business-type activities expenses	20,794,455	20,724,320	18,216,762	20,012,694	20,014,997	18,763,035	20,704,241	33,402,139	16,384,240	11,870,152
Total primary government expenses	$ 98,093,956	$ 91,604,142	$ 89,193,759	$ 89,371,304	$ 83,420,344	$ 85,209,757	$ 88,464,747	$ 91,772,760	$ 70,158,061	$ 67,467,173
PROGRAM REVENUES:										
Governmental Activities:										
Charges for services	$ 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	$ 4,654,384
Operating grants and contributions	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	4,988,000
Capital grants and contributions	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	3,185,681
Total governmental activities program revenues	16,131,011	15,036,986	10,177,365	8,717,401	9,647,376	11,945,342	10,167,782	34,370,974	14,172,113	12,828,065
Business-Type Activities:										
Charges for services	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	14,811,137
Operating grants and contributions	-	356,025	-	-	228,348	-	38,718	-	-	-
Capital grants and contributions	322,567	-	-	-	-	-	-	474,084	1,407,145	3,152,032
Total business-type activities program revenues	25,609,394	24,043,795	23,121,868	21,947,492	23,049,418	20,748,288	20,666,326	17,560,670	17,768,314	17,963,169
Total primary government program revenues	$ 41,740,405	$ 39,080,781	$ 33,299,233	$ 30,664,893	$ 32,696,794	$ 32,693,630	$ 30,834,108	$ 51,931,644	$ 31,940,427	$ 30,791,234

See independent auditor's report.

TABLE 2
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
PROGRAM REVENUES (Cont.):										
Net Revenues (Expenses):										
Governmental activities	$ (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)	$ (42,768,956)
Business-type activities	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	6,093,017
Total primary government net revenues (expenses)	$ (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)	$ (36,675,939)
GENERAL REVENUES AND OTHER CHANGES:										
Governmental Activities:										
Property taxes	$ 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	$ 17,528,265
Sales taxes	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	21,596,080
Franchise and other taxes	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	4,820,407
Grants and contributions (not restricted)	223,005	35,384	63,319	39,254	41,100	98,932	34,000	-	-	4,795
Unrestricted investment earnings	151,528	277,839	459,852	239,531	275,691	227,856	171,400	180,344	181,505	171,405
Other local sources	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	480,409	3,005,101	492,016	909,020	548,540	1,889,376	3,465,856	664,028	1,002,980	2,256,331
Gain (loss) on sale of assets	27,254	-	2,045	49,277	4,529	1,484	24,104	373,707	77,984	-
Transfers, net	91,492	824,000	500,000	-	500,000	306,908	(56,908)	-	-	-
Transfers, component unit	867,187	5,080,315	111,426	498,201	127,849	24,733	885,597	-	-	-
Total governmental activities	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	46,377,283
Business-type Activities:										
Unrestricted investment earnings	99,014	154,954	384,563	413,039	300,545	99,295	44,846	13,769	10,144	7,949
Miscellaneous revenues	371,237	121,057	-	-	98,280	200,116	80,270	32,972	207,496	(494,189)
Gain (loss) on sale of assets	(6,063)	-	103,917	120,506	-	-	11,822	-	-	-
Transfers, net	(867,187)	(824,000)	(500,000)	-	(500,000)	(306,908)	56,908	-	-	-
Total business-type activities	(402,999)	(547,989)	(11,520)	533,545	(101,175)	(7,497)	193,846	46,741	217,640	(486,240)
Total primary government general revenues and other changes	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	45,891,043
CHANGE IN NET POSITION										
Governmental activities	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	3,608,327
Business-type activities	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	5,606,777
Total primary government	$ 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	$ 9,215,104

See independent auditor's report.

TABLE 3

CITY OF HATTIESBURG, MISSISSIPPI

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

	FISCAL YEAR									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund:										
Nonspendable	$ 602,799	$ 558,107	$ 491,865	$ 488,309	$ 440,194	$ 454,574	$ 569,541	$ 435,392	$ 386,595	$ 330,950
Restricted	-	-	-	-	-	-	-	-	10,593	-
Committed	-	-	-	-	-	-	-	1,913,562	-	-
Assigned	721,792	881,366	1,009,152	433,854	1,180,819	647,722	636,600	1,051,324	2,587,414	720,979
Unassigned	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	6,624,690
Total general fund	22,070,058	17,479,131	11,960,201	12,247,508	10,463,374	10,825,804	10,452,537	7,712,753	7,781,669	7,676,619
% Change from Prior Year	26.3%	46.1%	-2.3%	17.1%	-3.3%	3.6%	35.5%	-0.9%	1.4%	-0.9%
Other Governmental Funds:										
Debt service funds										
Restricted	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	3,403,781
Special revenue funds										
Restricted	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	1,638,380
Committed	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	1,466,250
Unassigned	(401,986)	(618,953)	(409,860)	94,721	(153,611)	(269,240)	(53,901)	(1,913,562)	(10,593)	-
Capital projects funds										
Restricted	11,319,143	21,339,899	33,543,725	26,544,491	-	104,862	426,237	2,414	2,400	-
Total other governmental funds	32,868,297	40,488,084	47,817,339	39,893,031	12,216,841	11,027,312	13,749,577	5,857,043	7,165,991	6,508,411
Total governmental funds	$ 54,938,355	$ 57,967,215	$ 59,777,540	$ 52,140,539	$ 22,680,215	$ 21,853,116	$ 24,202,114	$ 13,569,796	$ 14,947,660	$ 14,185,030
% Change from Prior Year	-5.2%	-3.0%	14.6%	129.9%	3.8%	-9.7%	78.4%	-9.2%	5.4%	-3.3%

(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.

See independent auditor's report.

TABLE 4

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
REVENUE:										
Property taxes	$ 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	$ 17,166,167
Sales taxes	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	21,502,243
Licenses and permits	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	4,526,547
Fines and forfeitures	797,930	1,144,880	887,901	842,406	1,228,565	1,301,651	1,682,040	2,233,379	1,895,137	1,786,960
Interest, rents, concessions	239,678	340,214	580,153	301,539	236,519	267,967	102,171	107,701	119,886	158,110
Intergovernmental	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	8,480,909
Charges for services	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	2,586,517
Other revenues	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	1,408,970
Total revenues	89,528,112	87,058,531	67,463,160	63,058,281	61,267,288	62,244,872	61,329,528	56,981,566	58,106,445	57,616,423
% Change from prior year	2.8%	29.0%	7.0%	2.9%	-1.6%	1.5%	7.6%	-1.9%	0.9%	6.0%
EXPENDITURES:										
General government	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	6,227,218
Public safety	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	21,433,140
Public services	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	15,680,396
Other services	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	2,143,005
Mass transit	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	1,110,275
Cultural and recreation	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	4,512,676
Human/Social assistance	522,631	869,234	592,384	719,143	537,870	924,065	961,856	954,584	1,116,530	870,323
Economic development	2,181,782	1,027,108	4,303,846	1,463,626	305,000	255,000	5,319,409	208,115	2,464,222	160,000
Capital outlays	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	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	5,753,744
Interest and fiscal charges	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	1,153,639
Total expenditures	100,204,969	90,292,170	85,744,534	69,212,716	63,519,219	66,507,474	78,419,031	59,134,801	60,498,227	59,044,416
% Change from prior year	11.0%	5.3%	23.9%	9.0%	-4.5%	-15.2%	32.6%	-2.3%	2.5%	-9.8%
EXCESS OF REVENUE (UNDER) EXPENDITURES	(10,676,857)	(3,233,639)	(18,281,374)	(6,154,435)	(2,251,931)	(4,262,602)	(17,089,503)	(2,153,235)	(2,391,782)	(1,427,993)
OTHER FINANCING SOURCES (USES):										
Proceeds from long-term debt	-	-	25,863,151	34,191,292	444,291	-	24,817,411	-	-	-
Proceeds from leases	6,644,530	-	-	-	-	-	-	-	-	-
Bond issuance professional fees	-		(622,825)	(597,054)	-	-	-	-	-	-
Proceeds from sale of capital assets	42,289	19,161	2,045	49,277	-	-	-	-	-	-
Compensation for loss of capital assets	-	-	-	275,365	-	-	-	-	-	-
Transfers from other funds	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	4,326,191
Transfers to other funds	(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)	(3,307,283)
Other sources	93,994	106,128	176,004	71,626	2,364,217	1,606,696	2,836,194	450,247	2,755,077	119,492
Net other financing sources	7,648,000	949,289	25,918,375	33,990,506	3,308,508	1,913,604	27,721,821	775,371	3,154,412	1,138,400
NET CHANGE IN FUND BALANCES	$ (3,028,857)	$ (2,284,350)	$ 7,637,001	$ 27,836,071	$ 1,056,577	$ (2,348,998)	$ 10,632,318	$ (1,377,864)	$ 762,630	$ (289,593)
Debt service as % of non-capital expenditures	6.8%	8.3%	8.7%	7.4%	13.1%	8.7%	16.6%	11.7%	11.7%	13.2%

See independent auditor's report.

TABLE 5

CITY OF HATTIESBURG, MISSISSIPPI

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

Fiscal Year	Property Taxes	Sales Taxes (City's Share)	Total - Property and Sales Taxes	Gross Sales Subject to Sales Taxes (Per State Sales Tax Bureau)
2022	$ 25,496,691	$ 41,273,931	$ 41,273,931	$ 4,039,532,481
2021	24,620,679	37,114,919	37,114,919	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
2013	17,166,167	21,474,084	38,640,251	1,777,513,216
% Change in dollars over the 10 year period	3.56%	11.21%	11.21%	8.63%

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

See independent auditor's report.

Gross Sales Subject to Sales Taxes By County - Forrest	(%)	Gross Sales Subject to Sales Taxes By County - Lamar	(%)	Component Unit - 2% Food & Beverage Tax
$ 2,404,104,345	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
907,039,107	51%	870,474,109	49%	4,619,521
9.37%		7.57%		5.14%

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				
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	Forrest County Taxes	Total
2013	2012	34.65	7.00	5.77	47.42	58.50	7.73	66.23	57.08	170.73
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	63.17	177.58
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	65.19	180.51
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	66.19	181.67
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	65.70	182.93
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

LAMAR COUNTY:

		City of Hattiesburg				Hattiesburg School District				
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	Lamar County Taxes	Total
2013	2012	34.65	7.00	5.77	47.42	58.50	7.73	66.23	50.83	164.48
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.83	163.14
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.65	162.96
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	50.65	165.06
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	54.17	169.49
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	53.38	168.86
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	53.00	170.23
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

See independent auditor's report.

TABLE 7

CITY OF HATTIESBURG, MISSISSIPPI

TOP TEN PROPERTY TAXPAYERS
PROPERTY TAXES ASSESSED IN FISCAL YEAR 2021, COLLECTED FISCAL YEAR 2022

Taxpayer	Type of Business	Assessment	Percentage of Total Assessed Valuation	Taxes
Mississippi Power	Public Utility	$ 13,312,086	2.7%	$ 707,271
Western Container	Industrial	14,356,936	2.9%	273,643
Merit Health - Wesley	Health Care	3,905,477	0.8%	208,451
Bell South Communications	Public Utility	10,925,397	2.2%	174,502
Hattiesburg Clinic	Health Care	18,474,260	3.8%	172,214
Kohler Company	Industrial	3,114,663	0.6%	164,660
Hattiesburg Breckenridge	Commercial	2,640,971	0.5%	140,975
SPG Holdings	Industrial	25,152,012	5.1%	133,491
TNHYIF Reiv Golf LLC	Commercial	1,865,400	0.4%	98,701
Pointe Properties LLC	Commercial	1,831,470	0.4%	97,853
Total of top ten taxpayers		95,578,672	19.5%	
Tax roll total - all other taxpayers		394,475,274	80.5%	
Total taxable assessed values for FY 2022		$ 490,053,946	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, 2022

		15% Test	20% Test
Property tax base valuation as prepared by Tax Assessors during the summer months of 2021 for Property Taxes to be Collected in FY 2022		$ 490,053,946	$ 490,053,946
Times Applicable %		X 15%	X 20%
Product of Tax Base Times Applicable Percentage	(a)	73,508,092	98,010,789
Present General Obligation Debt Subject to Statutory Debt Limits:			
General obligation bonds outstanding at September 30, 2022		58,212,478	58,212,478
Less: exempt bonds		(10,206,247)	(10,206,247)
Add: water and sewer general obligation bonds		n/a	2,860,000
Total general obligation debt outstanding	(b)	48,006,231	50,866,231
Margin for Additional General Obligation Debt - (a) minus (b)		$ 25,501,861	$ 47,144,558

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, 2022 the 15% test would apply with a calculated margin for additional general obligation debt in the amount of $25,501,861.

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
2013	47,169	$ 416,993,266	$ 26,217,567	$ 3,403,781	$ 22,813,786	5.47%	484
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

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
2013	$ 14,890,384	$ 12,178,164	$ 2,712,220	105% of P & I	(1)	$ 2,585,546	1.05
2014	16,578,810	11,838,903	4,739,907	105% of P & I	(2)	3,116,786	1.52
2015	17,133,327	10,623,572	6,509,755	105% of P & I	(2)	3,864,394	1.68
2016	20,803,264	15,625,973	5,177,291	105% of P & I	(2)	3,854,944	1.34
2017	21,505,356	14,641,407	6,863,949	105% of P & I	(3)	5,042,769	1.36
2018	21,921,474	15,596,114	6,325,360	105% of P & I	(3)	5,041,892	1.25
2019	22,481,037	16,146,149	6,334,888	105% of P & I	(3)	5,134,594	1.23
2020	23,610,348	14,287,617	9,322,731	105% of P & I	(3)	5,187,550	1.80
2021	24,319,807	17,060,353	7,259,454	105% of P & I	(4)	6,221,986	1.17
2022	26,079,645	17,261,617	8,818,028	105% of P & I	(4)	6,790,010	1.30

(1) Calculations based upon debt service for the 2006 and 2012 Revenue Bonds.
(2) Calculations based upon debt service for the 2006, 2012, and 2013 Revenue Bonds.
(3) Calculations based upon debt service for the 2006, 2012 and 2013 Revenue Bonds.
(4) Calculations based upon debt service for 2021 Refunding Bonds and remaining uncallable bonds for 2013 & 2016 Revenue Bonds.

See independent auditor's report.

TABLE 11

CITY OF HATTIESBURG, MISSISSIPPI

DEMOGRAPHIC STATISTICS

Year	Hattiesburg	Forrest County	Hattiesburg MSA
2000	44,779	72,727	111,674
2001	45,088	73,184	113,179
2002	45,538	73,916	114,438
2003	45,779	73,465	115,849
2004	45,988	74,565	117,599
2005	47,598	76,056	119,135
2006	48,012	76,372	123,102
2007	48,012	78,241	126,259
2008	48,012	79,425	128,546
2009	48,012	81,078	143,093
2010	53,582	75,007	143,093
2011	45,989	75,798	144,666
2012	46,626	75,842	142,842
2013	17,169	76,894	148,675
2014	14,016	76,330	147,835
2015	46,396	75,643	148,655
2016	46,481	75,637	149,016
2017	46,377	75,471	148,719
2018	46,377	75,036	149,414
2019	45,951	75,263	150,191
2020	45,863	74,897	168,849
2021	48,731	78,163	171,783
2022	48,455	78,110	170,927

Demographic Age Groupings Projected Based On Census 2020 Totals:

Age	Hattiesburg 2020	Forrest County 2020
0 - 17 Years	10,030	17,497
18 - 34 Years	18,789	23,771
35 - 64 Years	13,287	25,750
Over 65 Years	6,349	11,092
% Population 18 - 64 Years	66.20%	63.40%
% Population over 65 Years	13.10%	14.20%

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

See independent auditor's report.

TABLE 12

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2022 Employees	2021 Employees	2020 Employees	2019 Employees	2018 Employees	2017 Employees	2016 Employees	2015 Employees	2014 Employees	2013 Employees
Governmental Activities:										
General Fund:										
City Council	7	7	7	7	7	8	7	7	7	8
Department of Administration	33	34	30	34	30	35	34	37	36	33
Urban Planning:										
Planning	9	9	9	12	13	11	10	10	9	9
Intermodal Facility	-	-	-	-	-	-	-	-	-	-
Metropolitan Planning	3	4	2	5	5	5	6	6	4	4
Federal Programs Administration	-	-	-	-	1	2	4	3	2	1
Code Enforcement	11	13	11	13	13	10	13	11	13	13
Public Safety:										
City Courts	21	22	20	20	20	16	12	16	19	19
Police - Officers	101	97	111	105	107	96	100	99	113	111
Police Department - Non-Sworn	56	50	52	62	67	63	64	63	62	61
Fire Department - Firefighters	116	122	124	125	112	107	99	99	104	112
Fire Department - Other than Firefighters	6	6	4	5	5	5	5	5	6	6
Other Public Safety	1	1	1	1	1	1	1	1	1	1
Public Services:										
Traffic Maintenance	6	6	5	8	8	9	7	9	10	7
Streets	15	16	17	21	28	42	41	38	41	42
Engineering	7	8	8	7	6	5	6	6	7	7
Shop	6	6	7	8	8	11	11	12	12	11
Construction	9	11	10	17	16	16	16	16	15	16
Sanitation	28	32	31	27	36	30	34	33	32	34
Other Public Services	23	24	24	28	18	26	23	26	23	26
Animal Control	2	3	3	4	4	4	4	4	4	4
Cemetery and Forestry	13	13	13	16	15	14	18	18	18	18
Parking Operations	2	4	5	4	9	10	10	8	8	8
Total General Fund	475	488	494	529	529	526	525	527	546	551
Other Governmental Funds:										
Parks and Recreation	32	36	37	42	36	32	39	37	37	34
Community Centers	13	13	13	13	13	13	14	13	14	14
Mass Transit	23	22	22	22	18	16	15	17	16	15
CDBG	4	5	4	3	4	4	4	5	4	5
Total Governmental Activities	547	564	570	609	600	591	597	599	617	619

See independent auditor's report.

TABLE 12
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2022 Employees	2021 Employees	2020 Employees	2019 Employees	2018 Employees	2017 Employees	2016 Employees	2015 Employees	2014 Employees	2013 Employees
Business-type Activities:										
Water and Sewer System:										
Customer Accounts	14	14	15	14	13	13	13	13	12	10
Water - Plant and Transmission	28	24	27	30	29	30	34	33	34	31
Sewers and Lagoons	12	14	11	15	17	17	22	22	20	21
Total Business-type Activities	54	52	53	59	59	60	69	68	66	62
Total Primary Government	601	616	623	668	659	651	666	667	683	681

See independent auditor's report.

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		
2013	272	$ 62,005,982	643	$ 13,806,903	$ 2,516,268	$ 416,993,266
2014	493	50,008,704	1062	45,109,175	2,597,524	425,665,993
2015	612	52,733,055	964	16,202,669	2,727,971	417,449,613
2016	622	92,385,429	847	17,623,035	2,727,360	426,507,409
2017	576	219,926,473	899	21,656,544	2,897,772	457,006,290
2018	760	325,811,798	1392	21,176,351	2,955,425	453,836,138
2019	1216	89,338,477	315	11,632,463	3,040,214	461,766,340
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	490,053,946

See independent auditor's report.

TABLE 14

CITY OF HATTIESBURG, MISSISSIPPI

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	4	4	4	4
Fire:										
Stations	8	8	8	8	8	8	8	8	8	8
Hydrants	2159	2159	2159	2159	2159	2159	2159	2159	2159	1950
Solid Waste Management:										
Trucks	24	24	24	24	24	24	24	24	24	24
(The City is a member of a regional landfill authority)										
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	50 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	11.1 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	1.6 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	12.7 MGD
Permitted treatment capacity	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD
Streets:										
Miles of paved streets	354 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	351 miles
Miles of unpaved streets	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	1 mile
Area of City - square miles	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4

See independent auditor's report.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

To the Mayor and Members of the City Council:

We have audited the financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2022, and have issued our report thereon dated June 28, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 19, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Hattiesburg, Mississippi solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses and other matters noted during our audit in a separate letter to you dated June 28, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

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

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

Significant Risks Identified

We have identified the following significant risks:

- Management override of internal controls was identified as a significant risk, as always with any audit. This risk requires special audit consideration as management can perpetuate financial reporting frauds by overriding established control procedures and by recording unauthorized or inappropriate journal entries or other closing adjustments.
- Improper revenue recognition was identified as a significant risk due to fraud.
- Fuel and shop inventories were identified as a significant risk due to fraud.
- Capital asset activity was identified as a significant risk due to untimely reconciliations.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Hattiesburg, Mississippi is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the City changed its method of accounting for leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases.* Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the depreciation of capital assets is based on the estimated useful life of those assets. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.
- Management's estimate of the allowance for doubtful accounts for the water and sewer receivable is based on historical water and sewer revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.
- Management's estimate of the allowance for uncollectible accounts for fines receivables is based on the historical industry average for the collection rate of police fines receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting City of Hattiesburg, Mississippi's financial statements relate to:

- The disclosure of the Other Postemployment Benefits (OPEB) in Note 18 of the financial statements. We relied on the actuarial calculations in reporting the annual OPEB cost and the total OPEB liability.
- The disclosure of the Defined Benefit Pension Plans in Note 19 of the financial statements. We relied on the actuarial calculations in reporting the annual cost and net pension liability for the PERS and PFDR plans.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Hattiesburg, Mississippi's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 28, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

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

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Hattiesburg, Mississippi, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Hattiesburg, Mississippi's auditors.

We were engaged to report on Schedules 9 through 26, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Additionally, we have the following recommendations:

- We recommend that the existing chart of accounts be annually reviewed and updated to facilitate reporting accuracy and clarity.
- We recommend the accounting department perform a periodic analytical review of account balances to identify unusual trends or errors on a timely basis for correction prior to year-end closeout.
- In conjunction with the state requirement that the City maintain an inventory of assets, we recommend the City reinstate the inventory tagging system. Additionally, we recommend a periodic verification of tagged assets as reported by the individual City departments.

This report is intended solely for the information and use of the Mayor and Members of the City Council, of the City of Hattiesburg, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

TMH

Hattiesburg, Mississippi
June 28, 2023

Client: *108554 - Forrest County, Mississippi*
Engagement: *108554 - Audit 2022*
Period Ending: *9/30/2022*
Trial Balance: *3000.01 - TB*
Workpaper: *3700.01 - Adjusting Journal Entries Report*
Fund Level: *All*
Index: *All*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		**PY**		
To reverse PY AJE's #51 and #53 that recorded related due from General Fund at 9/30/2021.				
104 000 220	Law Library Fees		243.00	
104 000 220	Law Library Fees		942.00	
109 000 236	Other Court Fines		194.00	
113 000 236	Other Court Fines		950.00	
114 000 236	Other Court Fines		2,528.00	
115 000 236	Other Court Fines		547.00	
104 000 190	COMMITTED FUND BALANCE			243.00
104 000 190	COMMITTED FUND BALANCE			942.00
109 000 190	COMMITTED FUND BALANCE			194.00
113 000 190	COMMITTED FUND BALANCE			950.00
114 000 195	RESTRICTED FUND BALANCE			2,528.00
115 000 190	COMMITTED FUND BALANCE			547.00
Total			**5,404.00**	**5,404.00**
Adjusting Journal Entries JE # 2		**PY**		
To reverse PY AJE #45 to record the tax collector receivable - General Fund.				
001 000 190	COMMITTED FUND BALANCE		264,247.00	
001 000 190	COMMITTED FUND BALANCE		903,337.00	
001 000 190	COMMITTED FUND BALANCE		171,305.00	
001 000 200	Realty/Personal		56,927.00	
001 000 201	Motor Vehicle		319,639.00	
001 000 202	Mobile Home		1,469.00	
001 000 203	Prior Year Property Tax		14,976.00	
001 000 205	Penalties & Int. on Delinq Tax		17,138.00	
001 000 211	Local Privilege Licenses		15,013.00	
001 000 214	Tax Collector's Comm. & Fees		34,559.00	
001 000 217	Printer/Publication Fees		48.00	
001 000 349	MAP Fees		1,675.00	
001 000 349	MAP Fees		149.00	
001 000 190	COMMITTED FUND BALANCE			1,362,864.00
001 000 190	COMMITTED FUND BALANCE			423,297.00
001 000 190	COMMITTED FUND BALANCE			14,321.00
Total			**1,800,482.00**	**1,800,482.00**
Adjusting Journal Entries JE # 3		**PY**		
To reverse PY AJE #44 to record tax collector receivable - Special Revenue Funds.				
105 000 200	Realty/Personal		9.00	
105 000 201	Motor Vehicle		1,510.00	
105 000 202	Mobile Home		15.00	
105 000 203	Prior Year Property Tax		6.00	
118 000 200	Realty/Personal		18.00	
118 000 201	Motor Vehicle		3,019.00	
118 000 202	Mobile Home		30.00	
118 000 203	Prior Year Property Tax		14.00	
150 000 200	Realty/Personal		3,156.00	
150 000 201	Motor Vehicle		26,124.00	
150 000 202	Mobile Home		164.00	
150 000 203	Prior Year Property Tax		849.00	
150 000 210	Road & Bridge Privilege tax In		69,641.00	
160 000 200	Realty/Personal		3,506.00	
160 000 201	Motor Vehicle		20,406.00	
160 000 202	Mobile Home		94.00	
160 000 203	Prior Year Property Tax		964.00	
105 000 195	RESTRICTED FUND BALANCE			1,540.00
118 000 195	RESTRICTED FUND BALANCE			3,081.00
150 000 195	RESTRICTED FUND BALANCE			99,934.00
160 000 195	RESTRICTED FUND BALANCE			24,970.00
Total			**129,525.00**	**129,525.00**
Adjusting Journal Entries JE # 4		**PY**		
To reverse PY AJE #43 to record tax collector receivable - Debt Service Funds.				
204 000 203	Prior Year Property Tax		30.00	
208 000 200	Realty/Personal		976.00	
208 000 201	Motor Vehicle		20,059.00	
208 000 202	Mobile Home		92.00	
208 000 203	Prior Year Property Tax		3,447.00	
210 000 203	Prior Year Property Tax		28.00	
271 000 203	Prior Year Property Tax		15.00	
296 000 200	Realty/Personal		413.00	

296 000 201	Motor Vehicle		1,293.00	
296 000 202	Mobile Home		6.00	
296 000 203	Prior Year Property Tax		67.00	
298 000 203	Prior Year Property Tax		32.00	
204 000 195	RESTRICTED FUND BALANCE			30.00
208 000 195	RESTRICTED FUND BALANCE			24,574.00
210 000 195	RESTRICTED FUND BALANCE			28.00
271 000 195	RESTRICTED FUND BALANCE			15.00
296 000 195	RESTRICTED FUND BALANCE			1,779.00
298 000 190	COMMITTED FUND BALANCE			32.00
Total			**26,458.00**	**26,458.00**

Adjusting Journal Entries JE # 5 **PY**
To record year-end balance as of 9/30/2021 for Fund 297 for Cash with Fiscal Agent for trust account balances.

297 000 018	Cash with Fiscal Agent		1,720,966.00	
297 000 190	COMMITTED FUND BALANCE			1,720,966.00
Total			**1,720,966.00**	**1,720,966.00**

Adjusting Journal Entries JE # 6 **PY**
To reverse PY AJE #58 that recorded claims payable at 9/30/2021.

001 000 190	COMMITTED FUND BALANCE		450,331.00	
104 000 190	COMMITTED FUND BALANCE		1,560.00	
105 000 195	RESTRICTED FUND BALANCE		1,734.00	
113 000 190	COMMITTED FUND BALANCE		1,797.00	
116 000 195	RESTRICTED FUND BALANCE		798.00	
118 000 195	RESTRICTED FUND BALANCE		880.00	
123 000 190	COMMITTED FUND BALANCE		29,039.00	
150 000 195	RESTRICTED FUND BALANCE		34,688.00	
160 000 195	RESTRICTED FUND BALANCE		16,035.00	
161 000 195	RESTRICTED FUND BALANCE		1,073,013.00	
208 000 195	RESTRICTED FUND BALANCE		1,500.00	
401 000 196	ASSIGNED FUND BALANCE		4,923.00	
403 000 190	COMMITTED FUND BALANCE		4,316.00	
405 000 190	COMMITTED FUND BALANCE		17,978.00	
001 100 XXX	Administrative Offices			173,881.00
001 160 XXX	Courts			121,701.00
001 200 XXX	Public Safety			143,306.00
001 400 XXX	Health			125.00
001 450 XXX	Welfare			6,324.00
001 500 XXX	Culture and Recreation			4,031.00
001 600 XXX	Conservation of Natural Resources			963.00
104 500 xxx	Culture & Recreation			1,560.00
105 340 xxx	Public Works			1,734.00
113 200 XXX	Public Safety			1,797.00
116 163 XXX	Juvenile drug court			798.00
118 200 XXX	Public Safety			880.00
123 200 xxx	Public Safety			29,039.00
150 300 XXX	Public Works			34,688.00
160 300 xxx	Public Works			16,035.00
161 300 xxx	Public Works			1,073,013.00
208 800 xxx	Debt Service			1,500.00
401 200 xxx	Public Safety			4,923.00
403 200 xxx	Public Safety			4,316.00
405 500 xxx	Culture & Recreation			17,978.00
Total			**1,638,592.00**	**1,638,592.00**

Adjusting Journal Entries JE # 7 **PY**
To reverse PY AJE's #7 and #27 for Cash with Fiscal Agent.

001 000 018	Cash with Fiscal Agent		43,291.00	
001 000 190	COMMITTED FUND BALANCE			43,291.00
Total			**43,291.00**	**43,291.00**

Adjusting Journal Entries JE # 8 **PY**
To reverse PY AJE #50 made to record the Circuit Clerk's cash balance at 9/30/2021. (Only revenue accounts reversed.)

001 000 213	Circuit Clerk Fees		74.00	
001 000 222	Other Lic Comm & Other Revenues		34.00	
001 000 232	Circuit Court Fines		7,229.00	
001 000 330	Interest Income		20.00	
001 000 190	COMMITTED FUND BALANCE			7,357.00
Total			**7,357.00**	**7,357.00**

Adjusting Journal Entries JE # 9 **PY**
To reverse PY AJE #52 made to record Justice Court's cash balance at 9/30/2021. (Only revenue accounts reversed.)

001 000 213	Circuit Clerk Fees		770.00	
001 000 213	Circuit Clerk Fees		171.00	
001 000 213	Circuit Clerk Fees		25.00	
001 000 215	Sheriff's Fees		661.00	
001 000 216	Justice Court Clerk's Fees		15.00	
001 000 216	Justice Court Clerk's Fees		12,955.00	
001 000 216	Justice Court Clerk's Fees		4,704.00	
001 000 216	Justice Court Clerk's Fees		58.00	

001 000 216	Justice Court Clerk's Fees		40.00	
001 000 222	Other Lic Comm & Other Revenues		601.00	
001 000 222	Other Lic Comm & Other Revenues		2,170.00	
001 000 222	Other Lic Comm & Other Revenues		80.00	
001 000 222	Other Lic Comm & Other Revenues		205.00	
001 000 222	Other Lic Comm & Other Revenues		2,795.00	
001 000 222	Other Lic Comm & Other Revenues		14,310.00	
001 000 230	Justice Court Fines		23,615.00	
001 000 236	Other Court Fines		303.00	
001 000 236	Other Court Fines		2,000.00	
001 000 236	Other Court Fines		250.00	
001 000 236	Other Court Fines		100.00	
001 000 236	Other Court Fines		1,403.00	
001 000 190	COMMITTED FUND BALANCE			67,108.00
001 000 330	Interest Income			123.00
Total			**67,231.00**	**67,231.00**

Adjusting Journal Entries JE # 10 — **PY**

To reverse PY AJE #41 made to record payments sent from the Department of Corrections as of year-end not recorded by the County.

001 000 321	Reimburs for Housing Prisoners		31,800.00	
001 000 190	COMMITTED FUND BALANCE			31,800.00
Total			**31,800.00**	**31,800.00**

Adjusting Journal Entries JE # 11 — **PY**

To reverse PY AJE #74 that recorded deferred revenue.

050 000 195	RESTRICTED FUND BALANCE		6,766,152.00	
050 000 257	FED FUNDS AMERICAN RESCUE PLAN			6,766,152.00
Total			**6,766,152.00**	**6,766,152.00**

Adjusting Journal Entries JE # 12 — **PY**

To reverse PY AJE #59 made to record accrued salaries and wages.

001 000 190	COMMITTED FUND BALANCE		371,451.00	
111 000 196	ASSIGNED FUND BALANCE		672.00	
114 000 195	RESTRICTED FUND BALANCE		2,817.00	
116 000 195	RESTRICTED FUND BALANCE		605.00	
131 000 196	ASSIGNED FUND BALANCE		54.00	
150 000 195	RESTRICTED FUND BALANCE		33,171.00	
160 000 195	RESTRICTED FUND BALANCE		5,133.00	
405 000 190	COMMITTED FUND BALANCE		3,542.00	
001 100 XXX	Administrative Offices			73,810.00
001 160 XXX	Courts			174,068.00
001 200 XXX	Public Safety			115,955.00
001 400 XXX	Health			1,758.00
001 500 XXX	Culture and Recreation			3,531.00
001 600 XXX	Conservation of Natural Resources			2,329.00
111 160 xxx	Courts			672.00
114 160 xxx	courts			2,817.00
116 160 xxx	Courts			605.00
131 500 xxx	Culture and Recreation			54.00
150 300 XXX	Public Works			33,171.00
160 300 xxx	Public Works			5,133.00
405 500 xxx	Culture & Recreation			3,542.00
Total			**417,445.00**	**417,445.00**

Adjusting Journal Entries JE # 13 — **PY**

To reverse PY AJE #67 that was made to record the sales proceeds from insurance received after year-end as a receivable.

001 000 385	Compensation for Loss of Cap A		11,621.00	
001 000 190	COMMITTED FUND BALANCE			11,621.00
Total			**11,621.00**	**11,621.00**

Adjusting Journal Entries JE # 14 — **PY**

To reverse PY AJE # 49 that was made to record the Fire Rebate from the State of MS that was not recorded during the 2022 FY.

001 000 050	Intergovernmental Receivable		157,942.00	
001 000 190	COMMITTED FUND BALANCE			157,942.00
Total			**157,942.00**	**157,942.00**

Adjusting Journal Entries JE # 15 — **6100.02**

To correct immaterial variances in fund balances.

001 000 190	COMMITTED FUND BALANCE		88.00	
027 000 196	ASSIGNED FUND BALANCE		20.00	
114 000 330	Interest Income		39.00	
001 000 346	Other Misc. Income			88.00
027 000 330	Interest Income			20.00
114 000 195	RESTRICTED FUND BALANCE			39.00
Total			**147.00**	**147.00**

Adjusting Journal Entries JE # 23 — **7100.03**

To record payments sent by the Department of Corrections prior to year-end that were not posted by the County as of year-end.

001 000 050	Intergovernmental Receivable		29,180.00	

001 000 321	Reimburs for Housing Prisoners			29,180.00
Total			**29,180.00**	**29,180.00**
Adjusting Journal Entries JE # 24		**4200.06**		
To record beginning fines receivable and allowance for uncollectivble balances from 9/30/2021.				
001 000 023	Fines Receivable		10,718,023.00	
001 000 024	Allowance For Uncollectible Accounts			9,592,395.00
001 000 155	Deferred Revenue - Fines			1,125,628.00
Total			**10,718,023.00**	**10,718,023.00**
Adjusting Journal Entries JE # 25		**4200.06**		
To adjust fines receivable and allowance for uncollectible fines to 9/30/2022 balances.				
001 000 024	Allowance For Uncollectible Accounts		241,117.00	
001 000 023	Fines Receivable			167,859.00
001 000 155	Deferred Revenue - Fines			73,258.00
Total			**241,117.00**	**241,117.00**
Adjusting Journal Entries JE # 26		**4200.09**		
To record Property Tax Receivable and Deferred Revenues as of 9/30/2022 based upon the adopted budget and the tax levy for taxes to be collected in FY 2022.				
001 000 020	Property Taxes Receivable		28,902,789.00	
105 000 020	Property Taxes Receivable		94,327.00	
118 000 020	Property Tax Receivable		188,653.00	
150 000 020	Property Tax Receivable		2,419,285.00	
160 000 020	Property Tax Receivable		2,017,680.00	
208 000 020	Property Tax Receivable		1,831,433.00	
297 000 020	Property Taxes Receivable		176,282.00	
001 000 154	Deferred Revenue - Property Taxes			28,902,789.00
105 000 154	Deferred Revenue - Property Taxes			94,327.00
118 000 154	Deferred revenue - Property taxes			188,653.00
150 000 154	Deferred Revenue - Property Taxes			2,419,285.00
160 000 154	Deferred Revenue			2,017,680.00
208 000 154	Deferred revenue - Property taxes			1,831,433.00
297 000 154	Deferred Revenue - Property Tax			176,282.00
Total			**35,630,449.00**	**35,630,449.00**
Adjusting Journal Entries JE # 34		**4100.13**		
To record interest income on cash held with fiscal agents - DHS and Welfare.				
001 000 018	Cash with Fiscal Agent		21.00	
001 000 330	Interest Income			21.00
Total			**21.00**	**21.00**
Adjusting Journal Entries JE # 37		**7200.03d**		
To adjust PERS contributions to include Chancery and Circuit Clerk payments.				
001 901 xxx	State Retirement Matching (Circuit, Chancery, Constables)		123,435.00	
001 000 346	Other Misc. Income			123,435.00
Total			**123,435.00**	**123,435.00**
Adjusting Journal Entries JE # 38		**7200.03b**		
To record payroll liabilities.				
681 000 002	CASH IN BANK		879,554.00	
681 000 100	Claims Payable			7,435.00
681 000 108	INSURANCE PAYABLE			360,256.00
681 000 119	STATE WITHHOLDING			46,743.00
681 000 120	STATE RETIREMENT			461,478.00
681 000 121	DEFERRED COMPENSATION (TSA)			3,642.00
Total			**879,554.00**	**879,554.00**
Adjusting Journal Entries JE # 39		**7100.14**		
To record the amount of deferred revenue related to the American Rescue Plan Act grant.				
050 000 257	FED FUNDS AMERICAN RESCUE PLAN		13,266,880.00	
050 000 155	Deferred Revenue - Grants			13,266,880.00
Total			**13,266,880.00**	**13,266,880.00**
Adjusting Journal Entries JE # 40		**7100.01**		
To reverse the PY accrual that was made for the Fire Rebate from the State of MS that was received in the CY.				
001 000 951	Transfer Out - Other Governmental Funds		157,942.00	
106 000 289	Insurance Premium Tax Distribu		157,942.00	
001 000 050	Intergovernmental Receivable			157,942.00
106 000 387	Transfers In from General Fund			157,942.00
Total			**315,884.00**	**315,884.00**
Adjusting Journal Entries JE # 45		**4200.05**		
To record Tax Collector Receivable.				
654 000 054	Due from Governmental Funds		10,457.00	
656 000 054	Due from Governmental Funds		3,903.00	
654 000 147	Due to Local Governments			10,457.00
656 000 147	Due to Local Governments			3,903.00
Total			**14,360.00**	**14,360.00**
Adjusting Journal Entries JE # 46		**4200.05**		
To record Tax Collector's Receivable - Debt Service Fund.				

204 000 203	Prior Year Property Tax		39.00	
208 000 054	Due from Other Funds		22,983.00	
210 000 203	Prior Year Property Tax		55.00	
271 000 054	Due from Other Funds		1.00	
296 000 054	Due from Other Funds		1,711.00	
297 000 054	Due from Other Funds		1.00	
298 000 054	Due from General Fund		10.00	
204 000 054	Due from other funds			39.00
208 000 200	Realty/Personal			2,423.00
208 000 201	Motor Vehicle			20,413.00
208 000 202	Mobile Home			68.00
208 000 203	Prior Year Property Tax			79.00
210 000 054	Due from Other Funds			55.00
271 000 203	Prior Year Property Tax			1.00
296 000 200	Realty/Personal			181.00
296 000 201	Motor Vehicle			1,522.00
296 000 202	Mobile Home			5.00
296 000 203	Prior Year Property Tax			3.00
297 000 203	Prior Year Property Tax			1.00
298 000 203	Prior Year Property Tax			10.00
Total			**24,800.00**	**24,800.00**

Adjusting Journal Entries JE # 47 **4200.03**
To record Tax Collector's Receivable - Special Revenue Fund.

105 000 054	Due from Other Funds		1,756.00	
118 000 054	Due form Governmental Funds		3,515.00	
150 000 054	Due from Other Funds		97,276.00	
160 000 054	Due from Other Funds		25,357.00	
105 000 200	Realty/Personal			133.00
105 000 201	Motor Vehicle			1,569.00
105 000 202	Mobile Home			12.00
105 000 203	Prior Year Property Tax			42.00
118 000 200	Realty/Personal			266.00
118 000 201	Motor Vehicle			3,138.00
118 000 202	Mobile Home			23.00
118 000 203	Prior Year Property Tax			88.00
150 000 200	Realty/Personal			3,029.00
150 000 201	Motor Vehicle			28,010.00
150 000 202	Mobile Home			128.00
150 000 203	Prior Year Property Tax			564.00
150 000 210	Road & Bridge Privilege tax In			65,545.00
160 000 200	Realty/Personal			2,670.00
160 000 201	Motor Vehicle			22,488.00
160 000 202	Mobile Home			75.00
160 000 203	Prior Year Property Tax			124.00
Total			**127,904.00**	**127,904.00**

Adjusting Journal Entries JE # 48 **4200.03**
To record Tax Collector's Receivable - General Fund.

001 000 007	Cash in Sub-Offices		977,338.00	
001 000 050	Intergovernmental Receivable		581,111.00	
001 000 051	Other Receivables - TC Misc		42,986.00	
001 000 217	Printer/Publication Fees		6.00	
001 000 147	Due to State			284,244.00
001 000 148	Due to Local Government			724,858.00
001 000 149	Due to Governmental Funds			166,877.00
001 000 200	Realty/Personal			37,897.00
001 000 201	Motor Vehicle			321,412.00
001 000 202	Mobile Home			1,070.00
001 000 203	Prior Year Property Tax			2,031.00
001 000 205	Penalties & Int. on Delinq Tax			10,749.00
001 000 211	Local Privilege Licenses			8,462.00
001 000 214	Tax Collector's Comm. & Fees			35,199.00
001 000 349	MAP Fees			2,837.00
001 000 349	MAP Fees			5,805.00
Total			**1,601,441.00**	**1,601,441.00**

Adjusting Journal Entries JE # 49 **4600.03c**
To record the current year accruals related to the Bridge Construction Projects.

161 302 555	Engineering Fees		12,180.00	
161 303 555	Engineering Fees		1,575.00	
161 000 100	Claims Payable			13,755.00
Total			**13,755.00**	**13,755.00**

Adjusting Journal Entries JE # 50 **4600.03f**
To record the current year accrual related to the Monroe Road Community Center.

001 151 584	Other Contractual Labor		16,562.00	
001 156 584	Other Contractual Labor		8,000.00	
001 000 100	Claims Payable			24,562.00
Total			**24,562.00**	**24,562.00**

Adjusting Journal Entries JE # 51 **4100.15**

To record Circuit Clerk's cash balance at 9/30/2022.

001 000 006	Cash in Bank		218,018.00	
001 000 149	Due to Governmental Funds			18,659.00
001 000 160	Other Current Payables - Amts held in Custody			187,661.00
001 000 213	Circuit Clerk Fees			69.00
001 000 229	Other Licenses,Comm,Fees			49.00
001 000 232	Circuit Court Fines			11,580.00
Total			**218,018.00**	**218,018.00**

Adjusting Journal Entries JE # 52 **4100.15**
To record related Due form General Fund balances.

104 000 054	Due from Governmental Funds		390.00	
109 000 054	Due from Governmental Funds		312.00	
113 000 054	Due from Governmental Funds		400.00	
114 000 054	Due from Governmental Funds		3,323.00	
115 000 054	Due from governmental funds		1,864.00	
650 000 054	Due from Governmental Funds		1,430.00	
650 000 054	Due from Governmental Funds		715.00	
650 000 054	Due from Governmental Funds		2,976.00	
650 000 054	Due from Governmental Funds		77.00	
650 000 054	Due from Governmental Funds		966.00	
650 000 054	Due from Governmental Funds		5,920.00	
650 000 054	Due from Governmental Funds		286.00	
104 000 220	Law Library Fees			390.00
109 000 236	Other Court Fines			312.00
113 000 236	Other Court Fines			400.00
114 000 236	Other Court Fines			3,323.00
115 000 236	Other Court Fines			1,864.00
650 000 127	Other Felonies			2,976.00
650 000 129	Court Constituents Assessment			77.00
650 000 132	Court Education			286.00
650 000 134	Domestic Violence			966.00
650 000 136	COMP. ELECTRONIC COURT SYSTEM			1,430.00
650 000 140	CIVIL LEGAL ASSISTANCE FUND			715.00
650 000 144	EXPUNGE ASSESSMENT			5,920.00
650 000 054	Due from Governmental Funds			
650 000 054	Due from Governmental Funds			
650 000 126	Other Misdeameanors			
650 000 131	JUDICIAL ASSESSMENT			
Total			**18,659.00**	**18,659.00**

Adjusting Journal Entries JE # 53 **4100.15**
To record Justice Court's cash balance at 9/30/2022.

001 000 005	Cash in Bank		58,567.00	
001 000 149	Due to Governmental Funds			12,624.00
001 000 160	Other Current Payables - Amts held in Custody			16,685.00
001 000 215	Sheriff's Fees			188.00
001 000 216	Justice Court Clerk's Fees			5,874.00
001 000 216	Justice Court Clerk's Fees			1,728.00
001 000 222	Other Lic Comm & Other Revenues			231.00
001 000 222	Other Lic Comm & Other Revenues			7,155.00
001 000 222	Other Lic Comm & Other Revenues			2,255.00
001 000 230	Justice Court Fines			10,491.00
001 000 236	Other Court Fines			50.00
001 000 236	Other Court Fines			500.00
001 000 236	Other Court Fines			100.00
001 000 236	Other Court Fines			686.00
Total			**58,567.00**	**58,567.00**

Adjusting Journal Entries JE # 54 **4100.15**
To record related Due from General Fund.

650 000 054	Due from Governmental Funds		12,626.00	
650 000 117	DRUG EVID VIOLATION			75.00
650 000 122	TRAFFIC VIOLATION ASSESSMENT			6,790.00
650 000 123	Implied Consent Law Violations			781.00
650 000 126	Other Misdeameanors			1,731.00
650 000 128	TRAFFIC TRAUMA			320.00
650 000 128	TRAFFIC TRAUMA			217.00
650 000 129	Court Constituents Assessment			38.00
650 000 129	Court Constituents Assessment			89.00
650 000 132	Court Education			356.00
650 000 135	Dept Public Safty Wrelss Comm			70.00
650 000 135	Dept Public Safty Wrelss Comm			560.00
650 000 136	COMP. ELECTRONIC COURT SYSTEM			10.00
650 000 136	COMP. ELECTRONIC COURT SYSTEM			26.00
650 000 136	COMP. ELECTRONIC COURT SYSTEM			154.00
650 000 143	VICTIM'S BOND FEE (VBF)			60.00
650 000 146	UNINSURED MOTORIST ASSESSMENT			1,349.00
Total			**12,626.00**	**12,626.00**

Adjusting Journal Entries JE # 55 **4600.03i**
To record the current year accruals related to the Lynn Cartlidge Dam Project.

001 309 532	Rental of Road Equipment		32,859.00	
001 309 555	Engineering Fees		9,524.00	
001 309 632	Asphalt Supplies		1,453.00	
001 000 100	Claims Payable			43,836.00
Total			**43,836.00**	**43,836.00**

Adjusting Journal Entries JE # 56 **4100.18**
To reclassify recorded principal payments to cash with fiscal agent for QSCB sinking fund.

297 000 018	Cash with Fiscal Agent	209,999.00	
297 800 800	Principal Retirment - Capital		209,999.00
Total		**209,999.00**	**209,999.00**

Adjusting Journal Entries JE # 57 **5100.02**
To record accrued salaries.

001 100 XXX	Administrative Offices	78,270.00	
001 160 XXX	Courts	186,226.00	
001 200 XXX	Public Safety	158,269.00	
001 300 XXX	Public Works	3,875.00	
001 400 XXX	Health	2,676.00	
001 500 XXX	Culture and Recreation	6,554.00	
111 100 xxx	Administrative Offices	872.00	
114 100 xxx	Administrative offices	4,310.00	
116 100 xxx	Administrative Offices	753.00	
131 500 xxx	Culture and Recreation	54.00	
150 300 XXX	Public Works	37,142.00	
160 300 xxx	Public Works	7,001.00	
405 500 xxx	Culture & Recreation	4,194.00	
681 001 054	Due from General Fund	435,870.00	
681 111 054	Due From Pre-Trial Fund	872.00	
681 114 054	Due From Drug Court Fund	4,310.00	
681 116 054	Due from Juvenile Drug Court	753.00	
681 131 054	Due from Farmer's Market	54.00	
681 150 054	Due From County Road and Bridge	37,142.00	
681 160 054	Due From Countywide Road and Bridge	7,001.00	
681 405 045	Due from Multi-Purpose Center	4,194.00	
001 000 150	Due to Payroll Clearing		435,870.00
111 681 149	Due to Payroll Clearing		872.00
114 681 149	Due to Payroll Clearing		4,310.00
116 681 149	Due to Payroll Clearing		753.00
131 681 149	Due to payroll clearing		54.00
150 681 149	Due to payroll clearing fund		37,142.00
160 681 149	Due to Payroll Clearing		7,001.00
405 681 149	Due to Payroll Clearing		4,194.00
681 000 100	Claims Payable		435,870.00
681 000 100	Claims Payable		872.00
681 000 100	Claims Payable		4,310.00
681 000 100	Claims Payable		753.00
681 000 100	Claims Payable		54.00
681 000 100	Claims Payable		37,142.00
681 000 100	Claims Payable		7,001.00
681 000 100	Claims Payable		4,194.00
Total		**980,392.00**	**980,392.00**

Adjusting Journal Entries JE # 58 **5100.02**
To record accounts payable accruals.

001 000 xxx	Clearing	2,709.00	
001 100 XXX	Administrative Offices	289,882.00	
001 160 XXX	Courts	89,965.00	
001 200 XXX	Public Safety	336,883.00	
001 300 XXX	Public Works	3,004.00	
001 400 XXX	Health	2,936.00	
001 450 XXX	Welfare	5,414.00	
001 500 XXX	Culture and Recreation	10,835.00	
001 600 XXX	Conservation of Natural Resources	10,067.00	
050 200 xxx	Public Safety	225,000.00	
104 500 xxx	Culture & Recreation	1,228.00	
105 340 xxx	Public Works	154.00	
113 200 XXX	Public Safety	5,129.00	
114 172 XXX	Courts	17,095.00	
116 163 XXX	Juvenile drug court	2,213.00	
118 200 XXX	Public Safety	15,123.00	
123 200 xxx	Public Safety	20,827.00	
150 300 XXX	Public Works	98,470.00	
160 300 xxx	Public Works	20,821.00	
161 300 xxx	Public Works	5,927.00	
302 300 xxx	Public Works	267,655.00	
405 500 xxx	Culture & Recreation	19,646.00	
001 000 100	Claims Payable		751,695.00
050 000 100	Claims Payable		225,000.00
104 000 100	Claims Payable		1,228.00
105 000 100	Claims Payable		154.00
113 000 100	Claims Payable		5,129.00

114 000 100	Claims Payable			17,095.00
116 000 100	Claims Payable			2,213.00
118 000 100	Claims Payable			15,123.00
123 000 100	Claims Payable			20,827.00
150 000 100	Claims Payable			98,470.00
160 000 100	Claims Payable			20,821.00
161 000 100	Claims Payable			5,927.00
302 000 100	Claims Payable			267,655.00
405 000 100	Claims Payable			19,646.00
Total			**1,450,983.00**	**1,450,983.00**
Adjusting Journal Entries JE # 62		**PF2022-5**		
To record financing of lease at fund level.				
001 000 7xx	EXPENDITURE - INTANGIBLE RIGHT OF USE ASSET		736,046.00	
001 000 380	Capital Lease Proceeds			736,046.00
Total			**736,046.00**	**736,046.00**
Adjusting Journal Entries JE # 69		**TB**		
To record the amount of deferred revenue related to the MDOT grant.				
052 000 249	Cap Fed Grants Public Works		500,000.00	
052 000 155	Deferred Revnue - Grants			500,000.00
Total			**500,000.00**	**500,000.00**
Adjusting Journal Entries JE # 70		**5301.01**		
To record debt issuance costs.				
302 800 82x	Debt Issuance Costs		441,250.00	
302 000 380	L Term Capital Debt Issued			441,250.00
Total			**441,250.00**	**441,250.00**
	Total Adjusting Journal Entries		**80,506,154.00**	**80,506,154.00**
	Total All Journal Entries		**80,506,154.00**	**80,506,154.00**

June 28, 2023

TMH
CPA & Consulting Firm
Post Office Drawer 15099
Hattiesburg, Mississippi 39404-5099

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the City of Hattiesburg, Mississippi which comprise the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information as of September 30, 2022 and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City of Hattiesburg, Mississippi in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 28, 2023:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 19, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), *Codification of accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification™ (ASC) 450, *Contingencies).*
- Our component unit and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues or general revenues.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With respect to nonattest services provided by you, as described in the audit engagement letter dated August 19, 2022, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.
- With respect to Schedules 1 through 7 (required supplementary information) accompanying the financial statements:
  - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.

  - We believe the required supplementary information schedules, including their form and content, are measured and fairly presented in accordance with U.S. GAAP.
  - The methods of measurement or presentation have not changed from those used in the prior period.
- With respect to the Schedules 8 through 25 (supplementary information) accompanying the financial statements:
  - We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
  - We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - The methods of measurement or presentation have not changed from those used in the prior period.
  - When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
  - We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such information.
  - We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and determined that there is not a substantial doubt that the entity will be able to meet its obligations as they come due.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The City of Hattiesburg, Mississippi has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We are not aware of any guarantees, whether written or oral, under which City of Hattiesburg, Mississippi is contingently liable.
- We have disclosed to you all significant estimates known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance*

Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- The entity has satisfactory title to all owned assets (not right to use assets that are leased), and there are no liens or encumbrances on such capital assets; nor has the entity pledged any capital assets as collateral, except as disclosed to you.
- There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- With respect to federal award programs:
  - We are responsible for understanding and complying with and have complied with the requirements of Title 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (the Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards, or we acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
  - If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
  - We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, direct appropriations, and other direct assistance.
  - We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
  - We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement,* relating to federal awards.
- We are not aware of any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance was audited.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Sincerely,

City of Hattiesburg, Mississippi

Kermas Eaton, City Clerk

COMMUNICATION OF MATERIAL WEAKNESSES

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

To the Mayor, Members of the City Council and Management of the City of Hattiesburg, Mississippi:

In planning and performing our audit of the basic financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2022, 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, 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over financial reporting.

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

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

We consider the following deficiencies in City of Hattiesburg, Mississippi's internal control to be material weaknesses:

- The City did not implement entity-level control policies and risk assessment procedures during fiscal year 2022 necessary in order to evaluate and address risks related to financial reporting. In particular, the City's organizational structure and lack of personnel with suitable skills, knowledge and experience in financial reporting are important considerations in assessing the City's entity-level control environment and risk assessment processes.
- The City did not implement entity-level internal control procedures during fiscal year 2022 pertaining to the timely identification and communication of information required in the financial reporting process thus creating an unnecessary hardship in preparation of the annual financial reporting process.

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

- The City's internal accounting controls during fiscal year 2022 did not readily allow for the conversion of budgetary accounting records to modified accrual and/or accrual basis of accounting required for financial reporting purposes.
- The City did not implement internal controls during fiscal year 2022 that were sufficient to ensure that Water and Sewer customer account balances are complete, accurate, properly valued, and reported in the proper period. There was a lack of timely review and reconciliation of subsidiary account balances that could allow for significant errors to go undetected.
- The City's internal accounting controls over capital assets do not ensure that all assets are properly recorded, depreciated, assessed for impairment, and reported. Subsidiary records do not routinely monitor assets acquired with federal grants and do not include a comprehensive schedule of construction projects sufficient for financial reporting.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

TMH

Hattiesburg, Mississippi
June 28, 2023