



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA  
Julie M. Uher, CPA  
Kari M. Blackledge, CPA

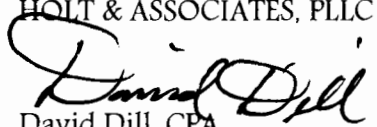
H. I. Holt, CPA  
Founder (1915-1997)

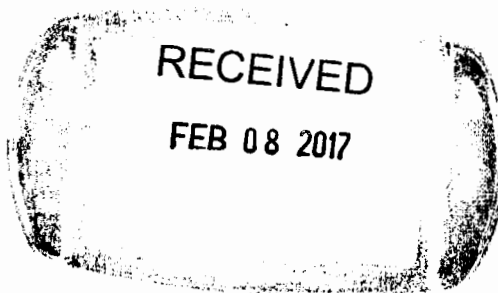
February 6, 2017

State of Mississippi  
Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

Enclosed are two copies of the audited financial statements of the City of Laurel for the fiscal year ended September 30, 2015. We assumed these had been provided by the City earlier.  
If anything further is needed, please let us know.

Sincerely,

HOLT & ASSOCIATES, PLLC  
  
David Dill, CPA

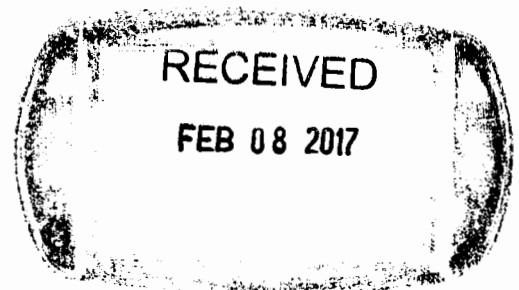


2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440  
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402  
PHONE 601-649-3000 | FAX 601-649-3050  
WWW.HOLTACCOUNTING.COM



**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2015**





**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2015**

***Table of Contents***

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Exhibit A – Statement of Net Position	18
Exhibit B – Statement of Activities	19
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	20
Exhibit C-1 – Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Exhibit D – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	24
Exhibit F – Statement of Changes in Fiduciary Net Position	25
Business-Type Financial Statements	
Exhibit G – Statement of Net Position	26
Exhibit H – Statement of Revenues, Expenses, and Changes in Fund Net Position	27
Exhibit I – Statement of Cash Flows	28
Notes to the Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparisons Schedule – General Fund	61
Budgetary Comparisons Schedule – Recreation Fund	62
Notes to the Required Supplementary Information	63
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	65
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67
Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.	69



**CITY OF LAUREL, MISSISSIPPI**  
**Audited Financial Statements**  
**Year Ended September 30, 2015**

***Table of Contents***

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	72
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	74
AUDITEE'S CORRECTIVE ACTION PLAN	77
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS	78







**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

### INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Laurel, Mississippi's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39441

PHONE 601-649-3000 | FAX 601-649-3050

WWW.HOLTACCOUNTING.COM



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-17 and 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurel, Mississippi's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016 on our consideration of the City of Laurel, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laurel, Mississippi's internal control over financial reporting and compliance.

***Holt & Associates, PLLC***

March 15, 2016



**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2015**

The Discussion and Analysis of the City of Laurel's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2015. 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 notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2015 were as follows:

- Total net position decreased by \$24,731,733 or 71% from 2014, including a prior period adjustment of \$(22,924,037)
- Total assets increased by \$1,453,067 or 2% from 2014
- Total liabilities increased by \$29,868,532, or 68% from 2014
- In total, equity in pooled cash and cash equivalents decreased \$998,421, or 32% from 2014
- Overall, the book value of capital assets increased by \$2,503,060 from 2014

#### **Using this Annual Financial Report:**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Laurel 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 Laurel 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 2015?" 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. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.





## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2015**

These two statements report the City's net position and the changes in those assets. This change in assets 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 City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration, and all other departments. The City of Laurel, Mississippi has no component units.

#### **Reporting the City of Laurel's Most Significant Funds:**

##### ***Fund Financial Statements***

The analysis of the City's major funds begins on page 20. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Laurel, Mississippi, the City's major funds are the General Fund, Recreation Fund, Bond and Interest Retirement Fund, Capital Improvements Fund, SRF Capital Projects, Public Utility Fund, Public Utility Bond, and Solid Waste Fund.

##### ***Governmental Funds***

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

##### ***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 24 and 25.



**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2015**

***Proprietary Funds***

The City of Laurel maintains one type of proprietary fund, an enterprise fund that is used to report business-type activities in the government-wide financial statements. The City uses enterprise fund accounting in order to account for the water and sewer system operations, solid waste disposal, and capital projects contained to them.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26-28. Operating revenues of the water and sewer system are utilized to fund operations and maintenance expenses and debt service.

**The City of Laurel, Mississippi 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 2015 compared to 2014.

Table 2 shows the Changes in Net Position for the year ended September 30, 2015.

(See Next Pages for Table 1 and Table 2)



RECEIVED  
FEB 08 2017

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2015

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current and other assets	\$ 11,458,307	\$ 13,440,233	\$ 12,058,658	\$ 11,126,725	\$ 23,516,965	\$ 24,566,958
Capital assets, net	43,363,471	42,244,089	25,811,923	24,428,245	69,175,394	66,672,334
<b>Total assets</b>	<b>54,821,778</b>	<b>55,684,322</b>	<b>37,870,581</b>	<b>35,554,970</b>	<b>92,692,359</b>	<b>91,239,292</b>
<b>DEFERRED OUTFLOWS</b>	<b>5,022,566</b>	<b>-</b>	<b>254,771</b>	<b>-</b>	<b>5,277,337</b>	<b>-</b>
<b>LIABILITIES</b>						
Current and other liabilities	3,544,064	1,603,587	2,516,529	4,833,983	6,060,593	6,437,570
Long-term liabilities, outstanding:						
Due within one year	2,455,309	2,371,339	1,136,960	1,081,458	3,592,269	3,452,797
Payable after one year	14,186,866	16,861,164	19,856,585	17,311,646	34,043,451	34,172,810
Net pension liability	29,068,303	-	1,167,093	-	30,235,396	-
<b>Total liabilities</b>	<b>49,254,542</b>	<b>20,836,090</b>	<b>24,677,167</b>	<b>23,227,087</b>	<b>73,931,709</b>	<b>44,063,177</b>
<b>DEFERRED INFLOWS</b>	<b>473,303</b>	<b>-</b>	<b>24,911</b>	<b>-</b>	<b>498,214</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	26,721,296	23,231,638	4,818,378	6,045,664	31,539,674	29,277,302
Restricted	2,944,857	3,752,037	-	-	2,944,857	3,752,037
Unrestricted	(19,549,654)	7,864,557	8,604,896	6,282,219	(10,944,758)	14,146,776
<b>Total net position</b>	<b>\$ 10,116,499</b>	<b>\$ 34,848,232</b>	<b>\$ 13,423,274</b>	<b>\$ 12,327,883</b>	<b>\$ 23,539,773</b>	<b>\$ 47,176,115</b>



**CITY OF LAUREL, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2015**

Table 2

**Change in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 1,870,441	\$ 2,499,810	\$ 11,307,881	\$ 10,990,314	\$ 13,178,322	\$ 13,490,124
Operating grants and contributions	-	68,085	-	-	-	68,085
Capital grants and contributions	848,208	528,395	-	-	848,208	528,395
<b>Total program revenues</b>	<b>2,718,649</b>	<b>3,096,290</b>	<b>11,307,881</b>	<b>10,990,314</b>	<b>14,026,530</b>	<b>14,086,604</b>
General Revenues:						
Property taxes	4,748,911	4,750,512	-	-	4,748,911	4,750,512
Other taxes	11,662,143	12,153,845	-	-	11,662,143	12,153,845
Grants and contributions not restricted to specific programs	1,702,810	1,670,740	-	-	1,702,810	1,670,740
Other general revenues	1,268,845	1,297,535	432,339	484,615	1,701,184	1,782,150
<b>Total general revenues</b>	<b>19,382,709</b>	<b>19,872,632</b>	<b>432,339</b>	<b>484,615</b>	<b>19,815,048</b>	<b>20,357,247</b>
<b>Total revenues</b>	<b>22,101,358</b>	<b>22,968,922</b>	<b>11,740,220</b>	<b>11,474,929</b>	<b>33,841,578</b>	<b>34,443,851</b>
<b>PROGRAM EXPENSES</b>						
General government	4,583,620	4,565,825	-	-	4,583,620	4,565,825
Public safety	10,463,461	9,346,659	-	-	10,463,461	9,346,659
Public works	2,539,738	2,566,643	-	-	2,539,738	2,566,643
Health and welfare	388,592	365,064	-	-	388,592	365,064
Culture and recreation	2,474,331	2,210,315	-	-	2,474,331	2,210,315
Economic development	681,543	559,229	-	-	681,543	559,229
Water and sewer	-	-	12,124,114	13,861,375	12,124,114	13,861,375
Interest and fiscal charges	441,020	525,808	-	-	441,020	525,808
<b>Total program expenses</b>	<b>21,572,305</b>	<b>20,139,543</b>	<b>12,124,114</b>	<b>13,861,375</b>	<b>33,696,419</b>	<b>34,000,918</b>
<b>Increase in net position before transfers</b>	<b>529,053</b>	<b>2,829,379</b>	<b>(383,894)</b>	<b>(2,386,446)</b>	<b>145,159</b>	<b>442,933</b>
Transfers	(2,336,749)	50,000	2,336,749	(50,000)	-	-
<b>Increase in net position after transfers</b>	<b>(1,807,696)</b>	<b>2,879,379</b>	<b>1,952,855</b>	<b>(2,436,446)</b>	<b>145,159</b>	<b>442,933</b>
<b>Net Position - Beginning</b>	<b>34,848,232</b>	<b>31,889,323</b>	<b>12,327,883</b>	<b>14,742,107</b>	<b>47,176,115</b>	<b>46,631,430</b>
Prior Period Adjustment	(22,924,037)	79,530	(857,464)	22,222	(23,781,501)	101,752
<b>Net Position - Beginning, as Restated</b>	<b>11,924,195</b>	<b>31,968,853</b>	<b>11,470,419</b>	<b>14,764,329</b>	<b>23,394,614</b>	<b>46,733,182</b>
<b>Net Position - Ending</b>	<b>\$ 10,116,499</b>	<b>\$ 34,848,232</b>	<b>\$ 13,423,274</b>	<b>\$ 12,327,883</b>	<b>\$ 23,539,773</b>	<b>\$ 47,176,115</b>





## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2015**

The City's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. The net assets of the City's governmental activities decreased by \$24,731,733, including the effects of prior period adjustment of \$(22,924,037), and the unrestricted net position of the City decreased by \$27,414,211. By far the largest portion of the City's net position (137% for 2015 and 67% for 2014) reflects its investment in capital assets (e.g., land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that are still outstanding). The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending.

#### ***Governmental Activities***

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City received \$9,324,221 in sales tax collections from the State of Mississippi, or 47% of general revenues; revenues from the collection of property taxes accounted for \$4,748,911, or 24% of general revenues. Franchise taxes collected from various entities located within the City accounted for \$2,037,770, or 10% of general revenues. Revenues received from charges for services and grants amounted to \$2,718,649, or 14% of general revenues.

Major expense activities, under the accrual basis of accounting, included Public Safety expenses accounting for \$10,463,461, or 49% of total program expenses. Public works accounted for \$2,539,738, or 12% of total program expenses. The City is committed to providing the basic services that our residents expect.

#### ***Business-Type Activities***

Business type activities increased the City of Laurel's net position by \$1,095,391 including the effect of a prior period adjustment of \$(857,464) in 2015 and decreased the City's net position by \$2,414,224, including the effect of a prior period adjustment of \$22,222 in 2014. The substantial increase in 2015 was mainly due to decrease in spending and the decrease in 2014 was mainly due to increase in spending.

#### ***The City's Funds***

Information about the City's major governmental funds begins on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,175,596 and expenditures of \$23,633,218.

The fund balances of the general fund decreased by \$2,911,359 while revenues exceeded expenditures by \$1,227,786. Much of the excess was transferred to other funds. These funds used the transfers for street maintenance, recreation programs, and construction projects.

RECEIVED  
FEB 08 2017



**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2015**

**General Fund Budgeting Highlights**

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

During the course of 2015, the City amended its General Fund budget. All recommendations for a budget change come from the City Finance Director to the City Council for review and ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without Council approval. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

Over the course of the year, the City revised the annual operating budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

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

***Capital Assets***

Table 3a represents a summary of major classes of capital assets net of depreciation for the governmental activities of the City of Laurel at September 30, 2015 and 2014.

Table 3a  
Capital Assets (Net of Depreciation)  
Governmental Activities

	<u>2015</u>	<u>2014</u>
Land	\$ 887,520	\$ 887,520
Buildings and infrastructure	35,550,870	36,719,421
Furniture and equipment	2,644,091	2,624,708
Construction in progress	4,280,990	2,012,440
Total	<u>\$ 43,363,471</u>	<u>\$ 42,244,089</u>



**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2015**

Table 3b represents a summary of major classes of capital assets net of depreciation for the business-type activities of the City of Laurel at September 30, 2015 and 2014. Net capital assets of the business-type activities remained consistent, and depreciation was the main reason for the decrease in net capital assets.

Table 3b  
Capital Assets (Net of Depreciation)  
Business-Type Activities

	2015	2014
Buildings and infrastructure	\$ 21,106,559	\$ 19,038,442
Furniture and equipment	1,367,975	1,387,976
Construction in progress	3,337,389	4,001,827
Total	<u>\$ 25,811,923</u>	<u>\$ 24,428,245</u>

The primary increase in net capital assets of the business-type activities of the City of Laurel, Mississippi occurred through construction and improvement of the water system. At September 30, 2015, the construction in progress total for the water and sewer improvements was \$3,337,389. The improvements are expected to be completed by the end of fiscal year 2016. The City does not depreciate capital assets during construction. Upon completion and implementation of the water and sewer improvements, total construction costs will be added to the buildings and infrastructure line above and depreciation will begin at that time.

Additional information of the City's capital assets can be found in Note 5 on pages 44-46 of this report.

***General Long-Term Obligations***

At September 30, 2015, the City of Laurel, Mississippi had \$37,916,312 in outstanding general obligation bonds payable and notes payable. The City's long-term debt at September 30, 2014 was \$37,625,607. Table 4 indicates the total outstanding long-term obligations of the City.

(See next page for Table 4)



**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2015**

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

	<u>2015</u>	<u>2014</u>
<b>General Bonded Debt</b>		
General Obligation Bonds	\$ 8,505,000	\$ 10,135,000
CAP Loans Payable	4,972,175	5,307,450
MS Development Bank Bonded Debt	3,165,000	3,570,000
Subtotal General Bonded Debt	<u>16,642,175</u>	<u>19,012,450</u>
<b>Revenue Bonds</b>		
Water and Sewer General Obligation Bonds	2,350,000	2,570,000
Water and Sewer Revenue Bonds	3,095,000	3,235,000
CAP Loans Payable	206,269	232,807
General Obligation Notes - State Revolving Loan Fund	15,313,278	12,169,009
Capital leases	28,998	175,767
Subtotal Revenue Bonds	<u>20,993,545</u>	<u>18,382,583</u>
<b>Compensated Absences</b>	<u>255,725</u>	<u>230,574</u>
<b>Total Long-Term Obligations</b>	<u>\$ 37,891,445</u>	<u>\$ 37,625,607</u>

Additional information of the City's long-term debt can be found in Note 6 on pages 46-50 of this report.

**Current Issues**

In Fiscal Year 2015, the City of Laurel had several projects underway, including street improvements, water and sewer projects, new construction, and recreation improvements. The City of Laurel also received and administered several grant programs. These projects were accomplished without raising the city's ad valorem taxes in Fiscal Year 2015.

The City did not have any natural disasters in FY 2015. In July, 2015, the City received its official notice from the Mississippi Emergency Management Agency (MEMA) closing out the remaining small projects related to Hurricane Katrina.

Laurel has always encouraged our business community and has developed a strong support network for new businesses. Applications for one hundred-eight new business licenses were completed in FY 2015.

**Comprehensive Plan**

The City has always had a strong commitment to planning and zoning within our city limits. After much citizen involvement, the City hired Neel-Schaffer, Inc. as consultants to complete this 20-year comprehensive plan. Mississippi State Statute Section 17-1-1 states the plan must contain four essential





## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2015**

elements: 1) Goals and objectives for the long-range development of the City; 2) Land use plan in map and policy form; 3) Transportation plan depicting, in map form, the proposed functional classifications for all existing and proposed streets and highways; and 4) Community facilities plan which is the basis for a capital improvements program. The City adopted the plan in Fiscal Year 2015 and this plan will be used for our planning and zoning improvements for the next twenty years.

#### **Street Improvements**

In February, 2013, the City of Laurel issued a \$3 million General Obligation bond to finance street projects within the city limits. As a result of this bond issue, the number of tax mills levied increased by 1.35 mills within the Debt Service Fund, beginning in October, 2013. Three major projects have been started with the bond proceeds.

**Seventh Avenue** – Seventh Avenue is one of our major streets. The projected expenditure for this project is \$1,575,000, including some repair work on existing water and sewer lines which also lie underneath Seventh Avenue. Expected completion of this project is December, 2015.

**Beacon Street Corridor** – Plans for Beacon Street include completely reconstructing the street, improving existing sidewalks, and placing the power lines underground. This exit is a major business corridor, connecting the interstate to downtown City of Laurel and Sawmill Square Mall. The City hopes that this investment of \$3.6 million of federal money with our match of \$1 million will help revitalize this business corridor. Our engineering firm is in the design phase of this project.

**Grandview Drive** – A few years ago, the citizens of Laurel passed a \$16 million bond referendum for the construction of a new middle school. One of the roads that service the school traffic is Grandview Drive. This project has been divided into two phases – Phase 1 is the replacement of a bridge and "softening" of a 90 degree curve. Phase 2 will be in front of the school itself, making the road into a three-lane road instead of a two-lane road. The City used our funds from the State Transportation Program (STP), which is an 80/20 match to complete Phase 1 of this project. Estimated cost for Phase 1 is \$1 million.

The remaining \$700,000 from the \$3 million General Obligation bond was used to pave additional neighborhood and commercial streets within the City of Laurel.

The City was awarded a Transportation Enhancement Grant from Mississippi Department of Transportation (MDOT) in the amount of \$275,000 and the City matched the grant with \$114,000. This grant is being used to replace two unsafe bridges with pedestrian walking bridges. These two bridges are located within two of our city parks. The pedestrian bridges will be beautiful additions to the parks instead of the orange barricades that are currently located at the closed bridges.

The City received another Transportation Enhancement Grant from MDOT for the Daphne Park Pavilion in the amount of \$370,000. The pavilion will be used to provide shelter for a historic train located within the park. The railroad has played an important role in the history and development of the City of Laurel.



## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2015**

A project to replace the existing street lighting with decorative street lighting along Sixth Avenue (which is in our historic district) is currently underway. The project is in the construction phase and will cost \$181,000. It is being financed through a loan from the South Mississippi Planning and Development District and will be repaid through a special ad valorem tax assessment to those homeowners located on Sixth Avenue.

#### **Public Utility (Water/Sewer) Projects**

The City of Laurel met with the Environmental Protection Agency (EPA) last April in Atlanta, Georgia. The City received good marks on our presentation and did not receive a consent decree or a fine on any of our sewer lines or facilities. The City of Laurel is also testing the lead levels in the water productions and all tests have been at acceptable levels.

The City obtained a low interest rate loan through the MS Department of Environmental Quality State Revolving Fund. These funds, along with a revenue bond in the amount of \$3.5 million, were used to make sewer line improvements in several areas of the city and to make improvements at the wastewater treatment plant, particularly to upgrade the headworks, bar screens, and generators (\$4.5 million). Because of the increase in the debt service within this fund, the water and sewer rates were increased by 3% beginning in November, 2014.

Several years ago, the City entered into a long-term contract for a company to clean and paint the city's elevated storage tanks. Every four years, the city's tanks are properly cleaned and painted.

#### **Community Development Block Grants**

The City received a Community Development Block Grant (CDBG) for Economic Development in the amount of \$990,000 with a city match of \$100,000.00 for roadway improvements. This project will be completed in FY 2016.

The City has also received a Community Development Block Grant for Low-Income Areas. This grant will be used to replace water and sewer lines along Queensburg Avenue and Palmer Avenue. The amount of the grant is \$730,000 and the City has committed \$600,000. This project is in the design phase.

#### **Police Department**

The Laurel Police Department made approximately 8,143 charges for the year as compared to 10,504 in the previous year, which is 2,361 less. Plans are underway for a \$400,000 waterproofing/new roof for the Police Station which is being financed through a short-term loan. This project is expected to be completed in FY 2016.

#### **Recreation Improvements**

In 1996 and 1998, the City of Laurel issued two General Obligation Bonds to build a sportsplex and a natatorium for our citizens to use and also to attract tourists to our city. These two bonds are repaid through a specially levied two-cent sales tax on restaurants and hotels within our city. Over the years both bonds have been refinanced with the first one to be paid off in March, 2016. Plans are underway to reissue this bond and build eight more softball fields to the complex.



## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2015**

The Recreation Department received an Urban Youth Grant to hire young people in our recreation facilities during the summer of 2015. The amount of the grant was \$35,000 and the City matched this amount with an additional \$7,000.

#### Grants

The City received and administered a grant called the Victims Advocate Grant from the Department of Justice. The purpose of this grant is to hire an advocate for the victims in our municipal court cases. Another Department of Justice grant was received and was used to purchase police vehicles and equipment.

#### Brownfields Grants

The City has been awarded a Brownfields grant in the amount of \$400,000 beginning in October 2014. The purpose of this grant to clean up dilapidated pieces of property so that they can become useful pieces of property again and be restored to the city's tax rolls. This project is currently in the first year of the three year process. Several pieces of property have already been assessed and are ready for the remediation phase of the project.

#### Contacting the City's City Clerk:

The financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show how the City's accountability for the money it receives. Copies of this report will be on file at City Hall as well as the Laurel-Jones County Library. If you have any questions about this report or need additional financial information, contact Mary Ann Hess, City Finance Director at 601-428-6404.



**CITY OF LAUREL, MISSISSIPPI**

**Statement of Net Position  
September 30, 2015**

**EXHIBIT A**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,251,600	\$ 904,223	\$ 2,155,823
Short-term investments	5,181,095	5,974,103	11,155,198
Accrued interest receivable	23,696	30,328	54,024
Accounts receivable	19,238,531	2,284,402	21,522,933
Allowance for uncollectibles	(16,747,621)	(1,224,620)	(17,972,241)
Due from other funds	607,350	2,619,136	3,226,486
Due from other governments	1,743,549	1,468,044	3,211,593
Inventory	17,156	-	17,156
Prepaid assets	54,667	3,044	57,711
Deferred charges	88,284	-	88,284
Capital assets, net	43,363,471	25,811,923	69,175,394
<b>Total Assets</b>	<b>54,821,778</b>	<b>37,870,583</b>	<b>92,692,361</b>
<b>DEFERED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	5,022,566	254,771	5,277,337
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	681,242	1,072,470	1,753,712
Customer deposits	1,000	613,803	614,803
Due to other funds	1,783,954	817,532	2,601,486
Due to other governments	834,869	-	834,869
Long-term liabilities (Due within one year)			
Capital related liabilities	2,455,309	1,136,960	3,592,269
Long-term liabilities (Due beyond one year)			
Capital related liabilities	14,186,866	19,856,585	34,043,451
Non-capital related liabilities	243,001	12,724	255,725
Net pension liability	29,068,303	1,167,093	30,235,396
<b>Total Liabilities</b>	<b>49,254,544</b>	<b>24,677,167</b>	<b>73,931,711</b>
<b>DEFERED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	473,303	24,911	498,214
<b>NET POSITION</b>			
Investment in capital assets (net of related debt)	26,721,296	4,818,378	31,539,674
Restricted for:			
Capital improvements	2,351,467	-	2,351,467
Debt service	509,034	-	509,034
Unemployment benefits	84,356	-	84,356
Unrestricted	(19,549,654)	8,604,896	(10,944,758)
<b>Total Net Position</b>	<b>\$ 10,116,499</b>	<b>\$ 13,423,274</b>	<b>\$ 23,539,773</b>

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





**CITY OF LAUREL, MISSISSIPPI**

**Statement of Activities  
Year Ended September 30, 2015**

**EXHIBIT B**

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL:</b>							
General government	\$ 4,583,620	\$ -	\$ -	\$ 3,186	\$ (4,580,434)	\$ -	\$ (4,580,434)
Public safety	10,463,461	1,386,011	-	-	(9,077,450)	-	(9,077,450)
Public works	2,539,738	240,478	-	845,022	(1,454,238)	-	(1,454,238)
Health & welfare	388,592	-	-	-	(388,592)	-	(388,592)
Culture & recreation	2,474,331	243,952	-	-	(2,230,379)	-	(2,230,379)
Economic development	681,543	-	-	-	(681,543)	-	(681,543)
Interest	441,020	-	-	-	(441,020)	-	(441,020)
Total governmental activities	21,572,305	1,870,441	-	848,208	(18,853,656)	-	(18,853,656)
<b>BUSINESS-TYPE:</b>							
Water & sewer	12,124,114	11,307,881	-	-	-	(816,233)	(816,233)
Total business-type activities	12,124,114	11,307,881	-	-	-	(816,233)	(816,233)
<b>Total primary government</b>	<b>\$ 33,696,419</b>	<b>\$ 13,178,322</b>	<b>\$ -</b>	<b>\$ 848,208</b>	<b>(18,853,656)</b>	<b>(816,233)</b>	<b>(19,669,889)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					3,554,470	-	3,554,470
Property taxes, levied for debt service					1,194,441	-	1,194,441
Sales taxes					9,324,221	-	9,324,221
Franchise taxes					2,037,770	-	2,037,770
Homestead exemption					233,433	-	233,433
Gas and oil severance tax					12,971	-	12,971
Payments in lieu of taxes					53,748	-	53,748
Grants and contributions not restricted to specific programs					1,702,810	-	1,702,810
Unrestricted investment earnings					110,703	117,980	228,683
Unrealized gain (loss) on investments					50,187	96,574	146,761
Other local sources					291,394	175,392	466,786
Rents and royalties					184,676	-	184,676
Gain/loss on sale of assets					(14,345)	(9,114)	(23,459)
Other revenues					646,230	51,507	697,737
Transfers, net					(2,336,749)	2,336,749	-
Total general revenues and transfers					17,045,960	2,769,088	19,815,048
<b>CHANGE IN NET POSITION</b>					<b>(1,807,696)</b>	<b>1,952,855</b>	<b>145,159</b>
<b>NET POSITION - BEGINNING</b>					<b>34,848,232</b>	<b>12,327,883</b>	<b>47,176,115</b>
Prior Period Adjustment					(22,924,037)	(857,464)	(23,781,501)
<b>NET POSITION - BEGINNING, AS RESTATED</b>					<b>11,924,195</b>	<b>11,470,419</b>	<b>23,394,614</b>
<b>NET POSITION - ENDING</b>					<b>\$ 10,116,499</b>	<b>\$ 13,423,274</b>	<b>\$ 23,539,773</b>

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



## CITY OF LAUREL, MISSISSIPPI

Balance Sheet  
Governmental Funds  
September 30, 2015

EXHIBIT C

	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Capital Improvements Fund	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 68	\$ 126,518	\$ 35,298	\$ -	\$ 1,089,716	\$ 1,251,600
Investments	1,834,698	-	249,122	3,097,275	-	5,181,095
Accounts receivable	19,151,827	-	-	-	86,704	19,238,531
Allowance for uncollectibles	(16,747,621)	-	-	-	-	(16,747,621)
Accrued interest receivable	7,391	-	235	16,070	-	23,696
Due from other funds	616,804	-	-	-	-	616,804
Due from other governments	1,486,266	6,455	9,817	-	241,011	1,743,549
Inventory	17,156	-	-	-	-	17,156
Prepaid items	51,682	2,986	-	-	-	54,668
<b>Total assets</b>	<b>\$ 6,418,271</b>	<b>\$ 135,959</b>	<b>\$ 294,472</b>	<b>\$ 3,113,345</b>	<b>\$ 1,417,431</b>	<b>\$ 11,379,478</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 470,375	\$ 78,575	\$ -	\$ 16,221	\$ 51,100	\$ 616,271
Due to other funds	293,463	-	25,281	1,176,306	298,358	1,793,408
Due to other governments	834,869	-	-	-	-	834,869
Customer deposits	1,000	-	-	-	-	1,000
Total Liabilities	1,599,707	78,575	25,281	1,192,527	349,458	3,245,548
Fund Balances:						
Nonspendable:						
Inventory	17,176	-	-	-	-	17,176
Prepaid items	51,682	2,986	-	-	-	54,668
Restricted:						
Debt service	-	-	269,191	-	304,814	574,005
Capital projects	-	-	-	1,920,818	430,649	2,351,467
Unemployment benefits	-	-	-	-	84,356	84,356
Assigned:						
Recreational purposes	-	54,398	-	-	-	54,398
Public safety and awareness	-	-	-	-	248,154	248,154
Unassigned:	4,749,706	-	-	-	-	4,749,706
Total Fund Balance	4,818,564	57,384	269,191	1,920,818	1,067,973	8,133,930
<b>Total liabilities &amp; fund balance</b>	<b>\$ 6,418,271</b>	<b>\$ 135,959</b>	<b>\$ 294,472</b>	<b>\$ 3,113,345</b>	<b>\$ 1,417,431</b>	<b>\$ 11,379,478</b>

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

RECEIVED

FEB 08 2017



CITY OF LAUREL, MISSISSIPPI

Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
September 30, 2015

EXHIBIT C-1

Total fund balances for governmental funds (Exhibit C)		\$ 8,133,930
Total position reported for the governmental activities in the statement of net position is different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds		
Land	887,520	
Construction in progress	4,280,990	
Buildings and infrastructure	55,954,038	
Furniture and mobile equipment	7,855,513	
Accumulated Depreciation	<u>(25,614,590)</u>	43,363,471
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(8,505,000)	
Notes payable	(8,137,175)	
Compensated Absences	(243,001)	
Accrued interest payable	<u>(64,970)</u>	(16,950,146)
3. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred Charges	<u>88,284</u>	88,284
4. Some liabilities, including net position obligations are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liability	<u>(29,068,303)</u>	(29,068,303)
5. Deferred outflows and inflows related to pensions are applicable to future period and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	5,022,566	
Deferred inflows of resources related to pensions	<u>(473,303)</u>	<u>4,549,263</u>
Total net position of governmental activities (Exhibit A)		<u>\$ 10,116,499</u>

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



## CITY OF LAUREL, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2015**

EXHIBIT D

	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Capital Improvements Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
General property taxes:								
Current	\$ 2,745,126	\$ 778,442	\$ 1,183,812	\$ -	\$ -	\$ -	\$ -	\$ 4,707,380
Delinquent	5,019	1,625	2,501	-	-	-	-	9,145
Penalties and interest on delinquent taxes	18,915	5,343	8,128	-	-	-	-	32,386
Homestead exemption	127,635	36,428	69,370	-	-	-	-	233,433
Licenses and permits	240,478	-	-	-	-	-	-	240,478
Franchise taxes on utilities	2,037,770	-	-	-	-	-	-	2,037,770
Intergovernmental revenue	53,748	-	-	-	-	-	-	53,748
Gas & oil severance tax	12,971	-	-	-	-	-	-	12,971
State shared revenues	46,230	-	-	-	755,071	755,071	146,438	1,702,810
Federal grants	3,186	-	-	-	-	-	828,757	831,943
State grants	-	-	-	16,265	-	-	-	16,265
Local revenues	291,394	-	-	-	-	-	-	291,394
General sales taxes	9,324,221	-	-	-	-	-	-	9,324,221
Charges for services	21,941	222,011	-	-	-	-	-	243,952
Fines and forfeitures	1,295,995	-	-	-	-	-	90,016	1,386,011
Interest	-	-	3,794	78,473	-	-	-	110,703
Rents	184,676	-	-	-	-	-	-	184,676
Other revenues	28,247	226	669,559	-	-	-	58,278	756,310
Total revenues	16,465,988	1,044,075	1,937,164	94,738	755,071	755,071	1,123,489	22,175,596
<b>EXPENDITURES</b>								
General government	3,500,914	384,492	-	-	-	-	27,977	3,913,383
Public safety	9,051,470	-	-	-	-	-	223,094	9,274,564
Public works	1,684,439	-	-	-	-	-	-	1,684,439
Health & welfare	348,150	-	-	-	-	-	-	348,150
Culture & recreation	9	1,821,381	-	-	-	-	77,837	1,899,227
Economic Development and Assistance	607,000	-	-	-	-	74,543	-	681,543
Capital outlay	51,220	23,334	-	1,499,783	-	-	1,283,615	2,857,952
Debt service:								
Principal	-	-	1,737,775	-	302,500	330,000	-	2,370,275
Interest and fiscal charges	-	-	533,280	-	10,919	59,486	-	603,685
Total expenditures	15,243,202	2,229,207	2,271,055	1,499,783	313,419	464,029	1,612,523	23,633,218
Excess (deficiency) of revenues over expenditures	1,222,786	(1,185,132)	(333,891)	(1,405,045)	441,652	291,042	(489,034)	(1,457,622)
<b>OTHER FINANCING SOURCES (USES)</b>								
Unrealized gain (loss) on investments	(8,180)	-	3,690	54,677	-	-	-	50,187
Insurance settlements	39,920	-	-	-	-	-	-	39,920
Loan proceeds	-	-	-	-	-	-	-	-
Sale of property	12,193	-	-	-	-	-	-	12,193
Operating transfers in	64,616	1,276,717	130,506	400,000	-	-	784,106	2,655,945
Operating transfers out	(4,242,694)	-	-	-	(500,000)	(250,000)	-	(4,992,694)
Total other financing sources (uses)	(4,134,145)	1,276,717	134,196	454,677	(500,000)	(250,000)	784,106	(2,234,449)
Net change in fund balances	(2,911,359)	91,585	(199,695)	(950,368)	(58,348)	41,042	295,072	(3,692,071)
Fund balances - beginning	7,729,923	(34,201)	468,889	2,871,186	232,888	89,231	468,085	11,826,001
Fund balances - ending	\$ 4,818,564	\$ 57,384	\$ 269,194	\$ 1,920,818	\$ 174,540	\$ 130,273	\$ 763,157	\$ 8,133,930

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





**CITY OF LAUREL, MISSISSIPPI**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
Year Ended September 30, 2015**

**EXHIBIT D-1**

Net change in fund balances - total governmental funds (Exhibit D) \$ (3,692,071)

The change in net assets reported for governmental activities in the statement of activities is different because:

1. Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	2,857,949	
Net disposals	26,538	
Depreciation expense	<u>1,731,412</u>	1,099,999

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Payments of debt principal	2,370,275	
Accrued interest payable	41,969	
Change in issuance costs	<u>(29,301)</u>	2,382,943

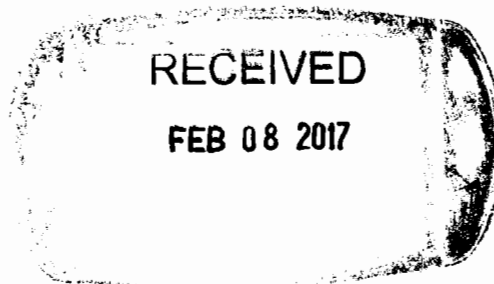
3. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:

Change in compensated absences	<u>(22,949)</u>	(22,949)
--------------------------------	-----------------	----------

4. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires that pension expense and deferred outflows/inflows of resources related to pensions be recognized.

Change in net pension liability	<u>(1,575,618)</u>	<u>(1,575,618)</u>
---------------------------------	--------------------	--------------------

Change in net position of governmental activities (Exhibit B) \$ (1,807,696)



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



CITY OF LAUREL, MISSISSIPPI

Statement of Fiduciary Net Position  
September 30, 2015

EXHIBIT E

	State Assessment Agency Fund	Police & Fire Retirement Trust Fund	Self-Insurance Trust Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,483	\$ 90,791	\$ 626,737
Due from other governments	2,811	8,338	-
Total assets	<u>\$ 41,294</u>	<u>\$ 99,129</u>	<u>\$ 626,737</u>
<b>LIABILITIES</b>			
Hospitalization insurance	\$ -	\$ -	\$ 1,737
Due to other governments	41,294	99,129	-
Due to other funds	-	-	625,000
Total liabilities	<u>\$ 41,294</u>	<u>\$ 99,129</u>	<u>\$ 626,737</u>

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



CITY OF LAUREL, MISSISSIPPI

Statement of Changes in Fiduciary Net Position  
Year Ended September 30, 2015

EXHIBIT F

	Police & Fire Retirement Trust Fund
<b>ADDITIONS</b>	
General property taxes: current	\$ 1,052,440
General property taxes: delinquent	2,460
Penalties & interest	6,882
Homestead exemption reimbursement	46,167
Total additions	<u>1,107,949</u>
<b>DEDUCTIONS</b>	
General government	
Transfers to PERS	1,107,949
Total deductions	<u>1,107,949</u>
<b>CHANGES IN NET POSITION</b>	<u>-</u>
<b>NET POSITION - BEGINNING</b>	-
<b>NET POSITION - ENDING</b>	<u>\$ -</u>

RECEIVED  
FEB 08 2017

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



## CITY OF LAUREL, MISSISSIPPI

Statement of Net Position  
Proprietary Funds  
September 30, 2015

EXHIBIT G

	SRF Capital Project	Public Utility	Solid Waste	Other Proprietary Funds	Total
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 91,038	\$ 213,957	\$ 599,228	\$ 904,223
Short-term investments	-	4,927,733	-	1,046,370	5,974,103
Accrued interest receivable	-	30,328	-	-	30,328
Accounts receivable	-	1,920,347	328,233	35,822	2,284,402
Allowance for doubtful accounts	-	(1,014,568)	(210,052)	-	(1,224,620)
Due from other funds	-	1,046,691	332,355	1,240,090	2,619,136
Due from other governments	1,468,044	-	-	-	1,468,044
Prepaid assets	-	605	2,439	-	3,044
Total current assets	1,468,044	7,002,174	666,932	2,921,510	12,058,660
<b>NON-CURRENT ASSETS</b>					
Capital assets:					
Buildings & infrastructure	-	72,529,178	-	-	72,529,178
Equipment	-	2,652,287	1,188,407	-	3,840,694
Construction in Progress	3,018,291	319,098	-	-	3,337,389
Less accumulated depreciation	-	(52,873,271)	(1,022,067)	-	(53,895,338)
Net non-current assets	3,018,291	22,627,292	166,340	-	25,811,923
Total assets	4,486,335	29,629,466	833,272	2,921,510	37,870,583
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	-	-	254,771	-	254,771
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 789,178	\$ 232,033	\$ 27,100	\$ 24,159	\$ 1,072,470
Customer deposits	-	613,803	-	-	613,803
Due to other funds	667,857	-	21,242	128,433	817,532
G. O. bonds payable	-	375,000	-	-	375,000
Notes payable	-	585,244	-	-	585,244
Capital lease payable	-	26,716	-	-	26,716
Total current liabilities	1,457,035	1,832,796	48,342	152,592	3,490,765
<b>NON-CURRENT LIABILITIES</b>					
Compensated absences payable	-	-	12,724	-	12,724
G. O. bonds payable	-	5,070,000	-	-	5,070,000
Notes payable (net of current portion)	7,623,529	7,310,774	-	-	14,934,303
Capital lease payable	-	2,282	-	-	2,282
Total non-current liabilities	7,623,529	12,383,056	12,724	-	20,019,309
Pension liability	-	-	1,167,093	-	1,167,093
Total liabilities	9,080,564	14,215,852	1,228,159	152,592	24,677,167
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	-	-	24,911	-	24,911
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	\$ -	\$ 4,652,038	\$ 166,340	\$ -	\$ 4,818,378
Unrestricted	(4,594,229)	10,761,576	(331,368)	2,768,917	8,604,896
Total net position	(4,594,229)	15,413,614	(165,028)	2,768,917	13,423,274
Total liabilities and net position	\$ 4,486,335	\$ 29,629,466	\$ 1,063,131	\$ 2,921,509	\$ 38,125,352

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





**CITY OF LAUREL, MISSISSIPPI**

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended September 30, 2015**

**EXHIBIT H**

	SRF Capital Project	Public Utility	Solid Waste	Other Proprietary Funds	Total
<b>OPERATING REVENUES</b>					
Water sales	\$ -	\$ 4,217,021	\$ -	\$ -	4,217,021
Sewer fees and surcharges	-	5,486,401	-	-	5,486,401
Water and sewer connections	-	22,480	-	-	22,480
Sanitation charges	-	-	1,531,509	-	1,531,509
Other charges	-	51,507	-	-	51,507
Total operating revenues	-	9,777,409	1,531,509	-	11,308,918
<b>OPERATING EXPENSES</b>					
Contract Services:					
Supplies	-	710,910	-	-	710,910
Services and charges	-	4,500,591	-	-	4,500,591
Depreciation	-	2,230,825	-	-	2,230,825
Total contracting services	-	7,442,326	-	-	7,442,326
Finance:					
Supplies	-	485,957	-	-	485,957
Services and charges	-	913,078	-	-	913,078
Total finance	-	1,399,035	-	-	1,399,035
Public Works:					
Personnel services	-	-	856,471	-	856,471
Supplies	-	-	135,816	1,606,280	1,742,096
Services and charges	-	-	334,100	-	334,100
Depreciation	-	-	46,559	-	46,559
Total public works	-	-	1,372,946	1,606,280	2,979,226
Total operating expenses	-	8,841,361	1,372,946	1,606,280	11,820,587
Operating income	-	936,048	158,563	(1,606,280)	(511,669)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest revenue	-	95,207	-	22,773	117,980
Other non-operating revenues	-	220,280	5,583	-	225,863
Transfers in	-	7,849,271	-	1,903,680	9,752,951
Transfers out	(4,348,127)	(2,878,068)	-	(190,008)	(7,416,203)
Gain/loss on disposal of asset	-	(9,114)	-	-	(9,114)
Unrealized gain (loss) on investments	-	77,503	-	19,071	96,574
Interest and fiscal charges	-	(303,527)	-	-	(303,527)
Total non-operating revenues (expenses)	(4,348,127.00)	5,051,552	5,583	1,755,516	2,464,524
Change in net position	(4,348,127.00)	5,987,600	164,146	149,236	1,952,855
Total net position - beginning	(246,102)	9,446,014	508,290	2,619,681	12,327,883
Prior period adjustment	-	(20,000)	(837,464)	-	(857,464)
Total net position- beginning, as restated	(246,102)	9,426,014	(329,174)	2,619,681	11,470,419
Total net position - ending	\$ (4,594,229)	\$ 15,413,614	\$ (165,028)	\$ 2,768,917	\$ 13,423,274

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

**RECEIVED**

**FEB 08 2017**



**CITY OF LAUREL, MISSISSIPPI**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2015**

**EXHIBIT I**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 11,490,240
Cash paid to suppliers	(7,965,033)
Cash paid to employees	(857,582)
Net cash flows from operating activities	<u>2,667,625</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers from other funds	9,752,951
Transfers to other funds	(7,416,203)
Short-term interfund loans repaid	(317,780)
Cash received from United Water contract	175,392
Cash receipts from legal settlements	-
Other non operating revenue(expenses)	(941,097)
Net cash provided by noncapital financing activities	<u>1,253,263</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Principal payments on long-term debt	(1,081,307)
Purchase of fixed assets	(3,681,062)
Interest paid on long-term debt	(303,527)
Net cash used by capital and related financing activities	<u>(5,065,896)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	117,980
Proceeds from the sale of investments	4,540,038
Purchases of investments	(4,611,289)
Net cash used by investing activities	<u>46,729</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

(1,098,279)

**CASH AND CASH EQUIVALENTS - OCTOBER 1, 2014**

2,002,502

**CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2015**

\$ 904,223

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

<b>OPERATING INCOME</b>	\$ (511,669)
-------------------------	--------------

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation expense	2,277,384
(Increase) decrease in accounts receivables, net of allowances	172,136
(Increase) decrease in interest receivable	6,399
(Gain) loss on disposal of fixed assets	9,114
Increase (decrease) in accounts payable and other accrued liabilities	706,187
Increase (decrease) in customer deposits	9,185
Increase (decrease) in compensated absences	(1,111)

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

\$ 2,667,625

**NON CASH TRANSACTIONS**

Unrealized gain (loss) on investments	<u>\$ 96,574</u>
---------------------------------------	------------------

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



## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2015**

#### ***Note 1 - Summary of Significant Accounting Policies***

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

#### **A. Financial Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City had no potential component units.

#### **B. Basis of Presentation**

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

The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position are reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted net position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

- Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable to a specific function. *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 and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as *general revenues*.

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

The City reports the following major governmental funds:

- General Fund - This is the City's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.
- Recreation Fund – This fund is used to account for all recreational activities and related expenses.
- Bond and Interest Retirement Fund – This fund is used to account for the retirement of long-term debt in the governmental funds.
- Capital Improvements Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

- SRF Capital Projects – This fund is used to account for the long-term debt related to public utility expansion through the state revolving loan fund.
- Public Utility Fund – This fund accounts for the business activities of the water and sewer sector of the City.





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 1 - Summary of Significant Accounting Policies (Cont.)***

- Solid Waste Fund – This fund accounts for the business activities of the solid waste operations of the City.

All other governmental and proprietary funds not meeting the criteria established for major funds are presented in the other governmental/proprietary column of the fund financial statements.

Additionally, the city reports the following fund types:

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

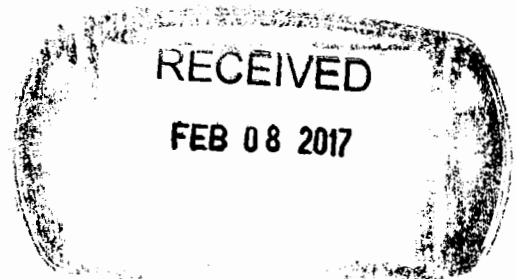
Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**PROPRIETARY FUND TYPES:**

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

**FIDUCIARY FUNDS TYPES:**

Agency Funds - Agency funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.





## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of the related cash flows.

Ad valorem property taxes are levied by the governing body of the city. Since the taxes are not collected by the city, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. 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 government considers revenues to be available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and judgments, are recorded only when the payment is due.

Property tax, franchise taxes, licenses, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) 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 measurable and available only when cash is received by the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, general are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the 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 public utility and solid waste functions and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.



## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues.

Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund and the solid waste enterprise fund are charges to customers for sales and services. The public utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 non-operating 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.

#### **D. Account Classifications.**

The account classifications used in the financial statements conform to the broad classifications recommended in the Financial Accounting Manual for Mississippi Municipalities issued in 2010 by the Office of the State Auditor.



## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2015**

#### ***Note 1 - Summary of Significant Accounting Policies (Cont.)***

##### **E. Encumbrances.**

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the City attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balance since they do not constitute expenditures or liabilities.

##### **F. Assets, Liabilities, and Net position**

###### **Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

The City can invest its excess funds, as permitted by Section 27-105-1, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the City are reported at fair market value.

###### **Receivables and payables**

The allowance method for valuing accounts receivables is used by the City. At the end of each fiscal year, an amount necessary to bring the balance to the estimated amount of allowance for doubtful accounts is credited to a valuation account. As a specific account is deemed to be uncollectible, the amount of the account is taken from both the receivable and the allowance accounts. At the end of the subsequent fiscal year, bad debt expense is charged with the amount necessary to bring the allowance account to the estimated total. The valuation allowance for the Enterprise Fund receivables and General Fund police fines is based on the City's estimation of amounts that will prove uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either "due to/from other funds" (i.e. the current portion of inter-fund loans) or "advances to/from other funds (i.e., the non-current portion of interfund loans).

All trade, sales, and property taxes receivables are considered collectible; therefore, no reduction has been made for allowance for uncollectible accounts.





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 1 - Summary of Significant Accounting Policies (Cont.)***

All taxes are collected and remitted to the City by the Jones County Tax Assessor and are due annually on January 1<sup>st</sup>.

Property taxes are levied annually as of October 1<sup>st</sup> on property values assessed as of the same date. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

**Due from other Governments**

Due from other governments represents amounts due from the State of Mississippi and various local governments.

**Inventories and prepaid items**

Inventory is valued at actual cost. The inventory in the General Fund consists of expendable supplies held for consumption. Inventory 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, 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 at least \$5,000 (see table below for detailed thresholds) and are reported at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are reported at estimated fair market value at the date of donation. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

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



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ -	-
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 - 10 years
Furniture and fixtures	5,000	3 - 7 years
Leased property under capital lease	*	*

**Compensated absences**

Employees of the city accumulate sick leave at a minimum amount as required by state law. A greater amount provided by city's policy provided that it does not exceed the provisions in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with the city's policy. The city pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972). The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

**Long-term obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issue cost, bond discounts or premiums, and the difference between acquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2015

#### ***Note 1 - Summary of Significant Accounting Policies (Cont.)***

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (Statement). Fund balances for each of the City's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid items) or are legally or contractually required to be maintained intact.

**Restricted fund balance** – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

**Committed fund balance** – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.

**Assigned fund balance** – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

**Unassigned fund balance** – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

#### **Ad Valorem Taxes**

The City levies a tax on real and personal property based on the assessed value of property as compiled by the County tax assessor from information extracted from the assessment tax rolls. Assessed values are computed as a percentage of true value. Single family owner-occupied residences are assessed at 10%; commercial real estate and personal property at 15%, and public service property at 30%. The taxes on real property attach as an enforceable lien on the property as of January 1 and on personal property as of March 1. Taxes on real and personal property are levied by the City Council at the first regular meeting in September. The City adopts the part of the county assessment roll containing the property located within the Municipality as provided in Sections 21-33-9 and 27-35-167. Taxes are billed and collected by the County and forwarded to the City.

Section 35-5-1 et seq., Mississippi Code 1972, requires that the City levy and collect all taxes for and on behalf of the municipal separate school district. As detailed below, for the reported fiscal year the ad valorem tax levies for and on behalf of the Laurel Municipal Separate School District were made in accordance with the applicable statutory requirements and authorizations.



## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for any one year may not exceed ten percent (10%) of the taxes collected for the prior assessment year. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The tax rate of the City of Laurel is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2015, the City's combined tax rate for general governmental services and other municipal purposes was 103.47 mills or \$103.47 per \$1,000 of assessed valuation expressed as follows:

General Fund	16.89
Special Revenue Fund (Recreation)	4.82
Debt Service Fund	9.18
Firemen and Police Disability and Relief Fund	6.11
Laurel Municipal Separate School District	66.47
Total Mills	<u>103.47</u>

Included in tax revenues are taxes collected for automobile tags and public utility taxes. Taxes collected by the County, less a collection fee, are remitted to the City on a monthly basis. Taxes on public utility properties are assessed by a separate governmental entity and collected by the City.

#### **Budgets and Budgetary Accounting**

The procedures used by the City in establishing the budgetary data recorded in the general purpose financial statements are as follows:

- The Finance Division of the Department of Administration prepares budget estimates of available revenue.
- Department directors submit proposed expenditure budgets to the Finance Division by June 1 each year.
- The Finance Division reviews expenditure budgets and necessary revisions are made.
- Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
- The Mayor submits the proposed budget to the City Council by August 1.
- Public hearings are conducted to obtain taxpayer comments.
- The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
- The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.





## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2015**

#### ***Note 1 - Summary of Significant Accounting Policies (Cont.)***

- Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets. The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are incorporated into the City's purchasing system. Purchase requisitions entered into the computer system that will cause a line item to exceed its budget will automatically be disallowed. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

#### **Use of estimates**

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

#### ***Note 2 – Cash and Cash Equivalents and Investments***

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

**Deposits** - The City Council must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1, Miss. Code Ann. (1972). The collateral pledged for the City's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments** - Section 21-33-323, Miss. Code Ann. (1972), authorizes the City to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States;



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 2 – Cash and Cash Equivalents and Investments (Cont.)**

(d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects) and bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Any amounts less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, fiduciary funds, and enterprise funds was \$2,911,834. The bank balance was \$2,909,988.

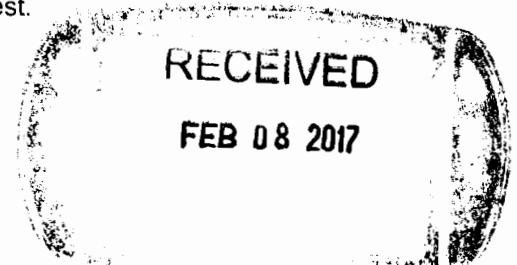
**Custodial Credit Risk – Deposits** - Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2015, none of the City's bank balance of \$2,909,988 was exposed to custodial credit risk.

**Investments**

As September 30, 2015, the City had the following investments and maturities:

Investment Type	Maturities	Fair Value
Collateralized Mortgage Obligations	More than 10 years	\$ 3,230,333
Mortgage Backed Securities	More than 10 years	263,650
Municipal Obligations	Less than 1 year	2,871,285
United States Government Obligations	Less than 1 year	2,495,403
Short Term	Less than 1 year	2,140,975
Corporate Bonds	1 to 5 years	153,552
Total		<u>\$ 11,155,198</u>

**Interest Rate Risk** - The City's investment policy for interest rate risk follows that of the State which states that the rate of interest shall not be less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity. The rate of interest established shall be the minimum rate of interest and there shall be no maximum rate of interest.





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 2 – Cash and Cash Equivalents and Investments (Cont.)***

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2015, the City's investments in commercial paper were rated AAA by Standard & Poor's. The City's investments in U.S. Government Obligations, Collateralized Mortgage Obligations, and Municipal Obligations were rated AAA by Standard & Poor's.

Custodial Credit Risk – Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, since the City's investments are fully guaranteed by the government of the United States and the State of Mississippi, custodial credit risk is zero.

Concentration of Credit Risk - A disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. The following table details the collective makeup of the City's investments at September 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total Investment</u>
Collateralized Mortgage Obligations	\$ 3,230,333	28.96%
Mortgage Backed Securities	263,650	2.36%
Municipal Obligations	2,871,285	25.74%
United States Government Obligations	2,495,403	22.37%
Short Term	2,140,975	19.19%
Corporate Bonds	153,552	1.38%
Total	<u>\$ 11,155,198</u>	<u>100.00%</u>



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 3 – Accounts Receivable**

The balance in the accounts receivable is computed as follows:

<u>Governmental Funds</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund			
Police fines	\$ 18,608,468	\$ 16,747,621	\$ 1,860,847
Cemetery	19,185	-	19,185
Other	610,878	-	610,878
Total	<u>\$ 19,238,531</u>	<u>\$ 16,747,621</u>	<u>\$ 2,490,910</u>
 <u>Proprietary Funds</u>	 <u>Receivable</u>	 <u>Allowance</u>	 <u>Net</u>
Water and Sewer	\$ 1,920,347	\$ 1,014,568	\$ 905,779
Solid Waste	328,233	210,052	118,181
Other	66,148	-	66,148
Total	<u>\$ 2,314,728</u>	<u>\$ 1,224,620</u>	<u>\$ 1,090,108</u>

**Note 4 – Interfund Receivables, Payables, and Transfers.**

The following is a summary of interfund transactions and balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 293,463
	Other Governmental Funds	9,454
Bond and Interest Retirement Fund	Public Utility	25,281
Capital Improvements Fund	Solid Waste	1,176,306
Other Governmental Funds	Other Governmental Funds	225,121
	Other Proprietary Funds	63,784
SRF Capital Project	Public Utility	667,857
Solid Waste	Other Proprietary Funds	21,242
Other Proprietary Funds	Public Utility	128,433
		<u>\$ 2,610,941</u>





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 4 – Interfund Receivables, Payables, and Transfers (Cont.)***

Interfund loans primarily represent amounts advanced or received for timing differences between revenues and expenditures and cash balances.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Recreation Fund	\$ 526,717
	Bond and Interest Retirement Fund	80,726
	Public Utility Fund	3,501,145
	Other Governmental Funds	134,106
Other Governmental Funds	Recreation Fund	750,000
SRF Capital Projects	Public Utility Fund	4,348,127
Public Utility Fund	General Fund	50,000
	Other Proprietary Funds	1,728,288
	Bond and Interest Retirement Fund	49,780
	Other Governmental Funds	1,050,000
Other Proprietary Funds	Public Utility Fund	175,392
	Other Governmental Funds	14,616
Total		<u>\$ 12,408,897</u>

The transfers represent council approved operating transfers for operations and planning purposes.



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 5 – Capital Assets**

Capital asset activity in the governmental funds for the year ended September 30, 2015 was as follows:

Governmental activities:

	<u>Balance 10/1/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Prior Period Adjustments</u>	<u>Balance 9/30/2015</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 887,520	\$ -	\$ -	\$ -	\$ -	\$ 887,520
Construction in progress	2,012,440	2,760,201	-	(491,651)	-	4,280,990
Total non-depreciable capital assets	<u>2,899,960</u>	<u>2,760,201</u>	<u>-</u>	<u>(491,651)</u>	<u>-</u>	<u>5,168,510</u>
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	55,578,460	97,748	(213,821)	491,651	-	55,954,038
Furniture and mobile equipment	7,836,130	-	-	-	19,383	7,855,513
Total depreciable capital assets	<u>63,414,590</u>	<u>97,748</u>	<u>(213,821)</u>	<u>491,651</u>	<u>19,383</u>	<u>63,809,551</u>
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	18,859,039	1,731,412	(187,283)	-	-	20,403,168
Furniture and mobile equipment	5,211,422	-	-	-	-	5,211,422
Total accumulated depreciation	<u>24,070,461</u>	<u>1,731,412</u>	<u>(187,283)</u>	<u>-</u>	<u>-</u>	<u>25,614,590</u>
Total depreciable capital assets, net	<u>39,344,129</u>	<u>(1,633,664)</u>	<u>(26,538)</u>	<u>491,651</u>	<u>19,383</u>	<u>38,194,961</u>
Governmental activities capital assets, net	<u>\$ 42,244,089</u>	<u>\$ 1,126,537</u>	<u>\$ (26,538)</u>	<u>\$ -</u>	<u>\$ 19,383</u>	<u>\$ 43,363,471</u>

RECEIVED  
FEB 08 2017



CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements  
Year Ended September 30, 2015

**Note 5 – Capital Assets (Cont.)**

Capital asset activity in the proprietary funds for the year ended September 30, 2015 was as follows:

	Balance 10/1/2014	Additions	Retirements	Completed Construction	Prior Period Adjustments	Balance 9/30/2015
<u>Non-depreciable capital assets:</u>						
Construction in progress	\$ 4,001,827	\$ 3,683,688	\$ -	\$ (4,348,127)	\$ -	\$ 3,337,388
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	68,289,067	6,488	(108,016)	4,348,127	-	72,535,666
Furniture and mobile equipment	3,834,208			-		3,834,208
Total depreciable capital assets	72,123,275	6,488	(108,016)	4,348,127	-	76,369,874
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	49,250,625	2,277,384	(98,902)	-	-	51,429,107
Furniture and mobile equipment	2,446,232			-	20,000	2,466,232
Total accumulated depreciation	51,696,857	2,277,384	(98,902)	-	20,000	53,895,339
Total depreciable capital assets, net	20,426,418	(2,270,896)	(9,114)	4,348,127	(20,000)	22,474,535
Proprietary activities capital assets, net	\$ 24,428,245	\$ 1,412,792	\$ (9,114)	\$ -	\$ (20,000)	\$ 25,811,923



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 5 – Capital Assets (Cont.)**

Depreciation expense was charged to the following governmental functions:

General Government	\$ 433,691
Public Safety	244,074
Public Works	656,143
Culture and Recreation	397,504
	<u>\$ 1,731,412</u>

Depreciation expense charged to the Public Utility and Solid Waste Funds amounted to \$2,277,384 for the year ended September 30, 2015. Commitments under construction contracts at September 30, 2015 are summarized as follows:

Projects Under Contract	Amount Spent to Date	Required Future Financing
2013 SRF Water System Improvements	<u>\$ 2,820,344</u>	<u>\$ 2,173,856</u>
Total	<u>\$ 2,820,344</u>	<u>\$ 2,173,856</u>

The SRF Drinking Water Improvements are funded with a loan through the Mississippi Department of Environmental Quality.

**Note 6 – Long-term Liabilities**

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

Debt Type	Balance 10-1-2014	Additions	Reductions	Balance 9-30-2015	Amounts Due Within One Year
General Obligation Bonds	\$ 10,135,000	\$ -	\$ 1,630,000	\$ 8,505,000	\$ 1,690,000
Notes Payable	8,877,449	-	740,274	8,137,175	765,309
Compensated Absences	220,052	22,949	-	243,001	-
Total	<u>\$ 21,635,596</u>	<u>\$ 22,949</u>	<u>\$ 2,370,274</u>	<u>\$ 16,885,176</u>	<u>\$ 2,455,309</u>





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 6 – Long-term Liabilities (Cont.)**

The following is a summary of changes in long-term liabilities and other obligations for proprietary activities:

Debt Type	Balance 10-1-2014	Additions	Reductions	Balance 9-30-2015	Amounts Due Within One Year
General Obligation Bonds	\$ 2,570,000	\$ -	\$ 220,000	\$ 2,350,000	\$ 230,000
Revenue Bonds	3,235,000	-	140,000	3,095,000	145,000
Notes Payable	12,401,815	3,692,269	574,538	15,519,546	585,244
Capital leases payable	175,768		146,769	28,999	26,716
Compensated Absences	10,523	2,201		12,724	-
Total	<u>\$ 18,393,106</u>	<u>\$ 3,694,470</u>	<u>\$ 1,081,307</u>	<u>\$ 21,006,269</u>	<u>\$ 986,960</u>

The annual requirements to amortize bond, note principal, and capital leases outstanding for all funds as of September 30, 2015, are as follows:

Year Ended September 30	Obligation Bonds	Interest	Notes Payable	Interest	Capital Leases	Interest
2016	2,065,000	360,651	1,731,729	369,643	26,716	321
2017	1,465,000	300,101	1,761,703	335,543	2,283	4
2018	1,520,000	261,845	1,802,113	300,600	-	-
2019	1,115,000	178,769	1,837,984	264,521	-	-
2020	765,000	148,201	1,534,321	217,097	-	-
2021-2025	3,295,000	569,771	7,566,407	747,024	-	-
2026-2030	2,965,000	350,328	5,052,822	193,830	-	-
2031-2035	760,000	23,005	2,368,642	5,822	-	-
	<u>\$ 13,950,000</u>	<u>\$ 2,192,671</u>	<u>\$ 23,655,721</u>	<u>\$ 2,428,258</u>	<u>\$ 28,999</u>	<u>\$ 325</u>

**A. General Obligation Bonds Payable**

General obligations bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are:

Purpose	Interest Rates	Amounts Outstanding
General government	1.0 - 5.25%	\$ 8,505,000
Proprietary	1.0-3.0%	5,445,000
Total General Obligation Bonds		<u>\$ 13,950,000</u>

This note does not include non-committal debt paid by debt service of \$150,000 (see Note 7).



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 6 – Long-term Liabilities (Cont.)**

**B. Notes Payable in Governmental Funds**

The City has several notes through the Mississippi Development Authority in which the proceeds were used to make capital asset acquisitions. Details of these notes are as follows:

	CAP Loan	CAP Loan	CAP Loan	CAP Loan	CAP Loan	CAP Loan
Date of Note	9/30/2008	9/30/2008	6/1/2011	9/30/2011	8/1/2013	11/1/2013
Original Amount	\$ 2,000,000	\$3,000,000	\$ 250,477	\$ 972,675	\$ 259,306	\$ 250,000
Unpaid Principal	\$ 1,426,432	\$2,139,217	\$ 138,303	\$ 854,671	\$ 207,628	\$ 205,924
Interest Rate	3.00%	3.00%	3.00%	3.00%	2.00%	2.00%

	MBIA Loan	Consolidated Loan
Date of Note	2/1/2008	6/1/2009
Original Amount	\$2,060,000	\$ 2,790,000
Unpaid Principal	\$1,230,000	\$ 1,935,000
Interest Rate	3.00%	3.50%

The annual requirements of the notes payable on note principal outstanding for governmental funds as of September 30, 2015, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 765,309	\$ 232,058	\$ 997,367
2017	784,516	208,708	993,224
2018	813,968	184,717	998,685
2019	838,672	159,795	998,467
2020	523,635	123,739	647,374
2021-2025	2,578,301	453,313	3,031,614
2026-2030	1,711,330	99,388	1,810,718
2031-2035	120,444	1,737	122,181
Total	<u>\$ 8,136,175</u>	<u>\$ 1,463,455</u>	<u>\$ 9,599,630</u>



# CITY OF LAUREL, MISSISSIPPI

## Notes to Financial Statements Year Ended September 30, 2015

### Note 6 – Long-term Liabilities (Cont.)

#### C. Notes Payable in Proprietary Fund

The City has a series of notes owed to the State of Mississippi under the Water Pollution Abatement Loan Programs. The loans with the State are 20-year repayment agreements. The State currently withholds payments from sales tax proceeds to apply to these notes.

	State of Mississippi				
Date of Note	9/19/2003	5/1/2004	7/1/2011	5/1/2012	11/1/2013
Original Amount	\$ 2,129,452	\$ 4,309,018	\$ 870,373	\$ 4,036,493	\$ 7,623,529
Unpaid Principal	\$ 1,105,160	\$ 2,411,760	\$ 726,609	\$ 3,446,220	\$ 7,623,529
Monthly Installment	\$ 11,067	\$ 21,594	\$ 4,551	\$ 20,228	-
Interest Rate	1.75%	1.75%	3.00%	3.00%	3.00%

The City is currently repaying a CAP Loan through the Mississippi Development Authority. The Loan is as follows:

	CAP Loan
Date of Note	9/2/2002
Original Amount	\$ 500,000
Unpaid Principal	\$ 206,268
Monthly Installment	\$ 2,773
Interest Rate	1.75%

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2015, are as follows:

Year Ended September 30	Principal	Interest	Total
2016	\$ 966,420	\$ 137,585	\$ 1,104,005
2017	977,187	126,835	1,104,022
2018	988,145	115,883	1,104,028
2019	999,312	104,726	1,104,038
2020	1,010,686	93,358	1,104,044
2021-2025	4,988,106	293,711	5,281,817
2026-2030	3,341,492	94,442	3,435,934
2031-2035	2,248,198	4,085	2,252,283
Total	\$ 15,519,546	\$ 970,625	\$ 16,490,171



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 6 – Long-term Liabilities (Cont.)**

**D. Obligations Under Capital Leases**

The City has entered into a lease agreement as lessee for financing the acquisition of a 2012 John Deere 700KLGP Dozer for the public utility department at a cost of \$157,588 with no down payment required at signing. The City has entered into a lease agreement as lessee for financing the acquisition of a 2012 Knuckleboom for the public utility department at a cost of \$104,155 with no down payment required at signing. These lease qualifies as a capital lease for accounting purposes. The leases are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2012 Knuckleboom	1.91%	10/25/2012	10/25/2016	104,155	28,999
Total				<u>\$ 104,155</u>	<u>\$ 28,999</u>

The following is a schedule by years of the total payments due on capital leases:

Year ended September 30	Principal	Interest	Total
2016	26,716	321	27,037
2017	2,283	4	2,287
Total	<u>\$ 28,999</u>	<u>\$ 325</u>	<u>\$ 29,324</u>

**Note 7 – Non-Committal Debt**

The state legislature allows the City to provide certain private and public entities with a low-cost source of capital financing deemed to be in the public interest. This debt is secured solely by the credit of the private and public entities and is administered by trustees independent of the City. The City has no obligation for this debt. Accordingly, these bonds are not reported in the accompanying financial statements.

Entity	Date Issued	Balance 10-1-2014	Additions	Reductions	Balance 9-30-2015
Howard Industries, Inc.	12/1/1998	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 450,000</u>

**RECEIVED  
FEB 08 2017**





## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2015**

#### ***Note 8 – Defined Benefit Pension Plan***

**Plan Description** - The City of Laurel contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. The City also participates in the Mississippi Municipal Retirement System (MMRS) which covers certain retired police and firemen. For fiscal year 2015 the City collected 6.11 mills of tax to fund their portion of the plan. The City's contribution to MMRS for the fiscal years ended September 30, 2015, 2014 and 2013 were \$1,107,949, \$1,045,223 and \$1,001,506 respectively. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy** – At September 30, 2015, PERS members are required to contribute 9.0% of their annual covered salary, and the City of Laurel is required to contribute at an actuarially determined rate. The rate for fiscal year ended September 30, 2015, was 15.75% 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 to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$1,107,949, \$1,434,839 and \$1,357,088, respectively, which equaled the required contributions for each year.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the City reported a liability of \$23,187,041 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, The City's proportion was .148172 percent.

For the year ended September 30, 2015, the City recognized pension expense of \$3,365,598.



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 8 - Defined Benefit Pension Plan (Continued)**

At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Governmental-type Activities</u></b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience - PERS	\$ 3,391,855	\$ -
Differences between expected and actual experience - MMRS	-	-
Net difference between projected and actual earnings on pension plan investments - PERS	-	473,303
Net difference between projected and actual earnings on pension plan investments - MMRS	158,550	-
City contributions subsequent to the measurement date - PERS	1,381,718	-
City contributions subsequent to the measurement date - MMRS	90,443	-
Total	\$ <u>5,022,566</u>	\$ <u>473,303</u>

<b><u>Business-type Activities</u></b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 178,519	\$ -
Net difference between projected and actual earnings on pension plan investments	-	24,911
City contributions subsequent to the measurement date	76,252	-
Total	\$ <u>254,771</u>	\$ <u>24,911</u>

\$1,548,413 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Sept 30:

	<b><u>PERS</u></b>	<b><u>MMRS</u></b>	<b><u>Total</u></b>
2016	\$ 1,159,754	\$ 39,638	\$ 1,199,392
2017	1,159,754	39,638	1,199,392
2018	877,206	39,638	916,844
2019	<u>(124,553)</u>	<u>39,636</u>	<u>(84,917)</u>
Total	\$ <u>3,072,161</u>	\$ <u>158,550</u>	\$ <u>3,230,711</u>



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

**Note 8 - Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected

nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
U.S. broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	<u>100.00%</u>	



# CITY OF LAUREL, MISSISSIPPI

## Notes to Financial Statements Year Ended September 30, 2015

### Note 8 - Defined Benefit Pension Plan (Continued)

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability - PERS	\$ 24,821,916	\$ 18,207,254	\$ 12,689,642
City's proportionate share of the net pension liability - MMRS	\$ 7,992,292	\$ 7,048,355	\$ 6,233,647

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

### Note 9 - Litigation and Contingent Liabilities

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the city attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the city.

The City currently participates in a state-wide cooperative that provides liability insurance to cities that otherwise could not obtain liability coverage. Liability insurance includes general, automobile and workmen's compensation. The premiums are based on city population and payroll figures. Should the claims paid exceed the premiums paid in, each participant would share in the deficiency. At present, premiums paid into the system exceed any claims paid.

The City is partially self-insured for hospitalization insurance. The City pays the first \$35,000 in claims per insured. The third party provider bills the City for Claims on a 10-day cycle. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 9 – Litigation and Contingent Liabilities (Continued)***

Except as described in the following paragraph, the City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Participation in Public Entity Risk Pool:**

The City participates in the Mississippi Municipal Liability Plan (MMLP), an insurance-purchasing pool. The City, along with other municipalities as a group, purchased insurance to insure against losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Settled claims resulting from these insured risks have not exceeded the City's insurance coverage since it joined the pool.

The City is a member of the Mississippi Municipal Workers Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the City's employees.

The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$250,000. For a claim exceeding \$250,000, MMWCG has insurance which will pay the excess up to the statutory limit. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies.

***Note 10 – Other Commitments***

Commitments under construction contracts are described in Note 5.



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 11 – Legal Debt Limit***

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2015.

	<u>15 Percent</u>	<u>20 Percent</u>
Authorized Debt Limit:		
Assessed valuation for fiscal year end September 30, 2015 (\$168,054,800)	\$ 25,208,220	\$ 33,610,960
Present debt subject to debt limits	<u>(8,505,000)</u>	<u>(16,642,175)</u>
Margin for further indebtedness	<u>\$ 16,703,220</u>	<u>\$ 16,968,785</u>

**Limitation of Indebtedness**

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation. In computing general obligation bonded indebtedness, there may be deducted all bonds or other evidences of indebtedness issued for school, water, and sewer systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, exceeds twenty percent of the assessed value of all taxable property within such municipality.

***Note 12 – Employment Security Fund***

The City has elected to maintain an unemployment fund and pay all base unemployment claims out of such fund - Mississippi State Code (1972) Sec. 71-5-359 allows a municipality the option of maintaining such a fund in lieu of paying state unemployment insurance. The fund shall be maintained at 2% of the covered wages paid during the prior calendar year. The present balance in the fund was sufficient to meet these funding requirements.

***Note 13 – Municipal Compliance Questionnaire***

The Municipal Compliance Questionnaire was completed and entered in the minutes as prescribed by law. A review of the questionnaire revealed that all items were answered yes or not applicable.



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

RECEIVED

FEB 08 2017

**Note 14 – Joint Ventures**

The City participates in the following joint ventures:

The City of Laurel is a participant with Jones County and the Cities of Ellisville and Sandersville in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Laurel – Jones County Library. The joint venture was created to provide free public library service to all the people of Jones County and is governed by a twelve-member board. Five members are appointed by the city, five members are appointed by the county and one member is appointed by each of the cities of Ellisville and Sandersville. By contractual agreement the City's appropriation to the joint venture amounted to \$100,000. Complete financial statements for the Laurel – Jones County Library can be obtained from the Laurel – Jones County Library, 530 Commerce Street, Laurel, MS 39440.

The City of Laurel is a participant with the Cities of Hattiesburg and Petal and the Counties of Covington, Jones and Perry in a joint venture, authorized by Section 17-17-307 Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority.

The joint venture was to dispose of solid waste in the participating jurisdictions. The City of Laurel appoints 2 of the twelve members of the board of directors. The Authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

The City of Laurel is a participant with Jones County and the Cities of Ellisville, Soso, and Sandersville in the joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a board of trustees composed by twelve members appointed as follows: Jones County Board of Supervisors, six; City of Laurel, three; City of Ellisville, three. The City's appropriation from the General Fund to the joint venture amounts to \$50,000.

Complete financial statements for the Jones County Economic Development Authority can be obtained from the Jones County Economic Development Authority, P.O. Box 527, Laurel, MS 39441-0527.

The City of Laurel is a participant with Jones County, Forrest County, and the City of Hattiesburg in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate Hattiesburg/Laurel Regional Airport Authority. The joint venture was created to operate a regional airport and is governed by a five-member board, one each appointed by the four member governments and one by the Governor for the State of Mississippi. The City does not currently contribute any funds for the support of the Airport. Complete financial statements for the Hattiesburg/Laurel Regional Airport Authority can be obtained from Hattiesburg/Laurel Regional Airport Authority, 1002 Terminal, Moselle, MS 39459.

**Note 15 – Jointly Governed Organizations**

The South Mississippi Fair operates in Jones County and the City of Laurel. The Commissioners are appointed as follows: five by the Mayor with Council approval, and five by the Jones County Board of Supervisors. The property of Commission reverts to the City upon dissolution of the Commission.



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 15 – Jointly Governed Organizations (Continued)***

The City appropriates excess funds from Tourism Tax receipts and shares with the South Mississippi Fair Commission. For 2015 and 2014, the City shared \$74,543 and \$35,879, respectively with this organization from tourism tax receipts.

***Note 16 – Reconciliation of Budgetary Basis to Accrual***

Mississippi law requires that all municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All budgeted amounts lapse at year end. The required budgetary basis is therefore not considered a generally accepted accounting principle. The following schedule reconciles the fund balances on the budgetary basis to the GAAP basis for the General Fund:

Fund balance (budgetary basis)	\$ 5,289,179
Adjustment to GAAP basis:	
Accrued revenues	(387,802)
Accrued expenses	<u>(82,812)</u>
Fund balance (GAAP basis), Sept. 30:	<u>\$ 4,818,565</u>

***Note 17 – Subsequent Events***

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Laurel evaluated the activity of the city through March 15, 2016, the date the financial statements were available to be issued.





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2015**

***Note 18 – Prior Period Adjustments***

A prior period adjustment was necessary to correct beginning balances as follows:

	9/30/2014 Fund Balance	PPA	9/30/2014 Adjusted Fund Balance
Government-Wide			
Total net position	34,848,232	\$ (22,924,037)	11,924,195
Business-Type Funds			
Public Utility Fund	\$ 12,327,883	\$ (857,464)	\$ 11,470,419

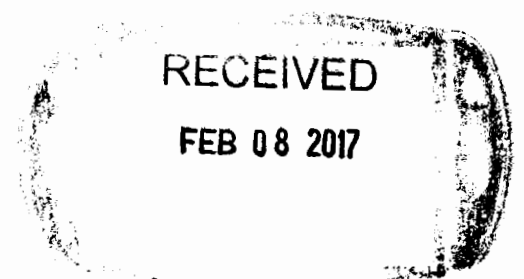
The Government-Wide financial statements were adjusted in the prior period for capital assets that were disposed of in the prior periods but never removed from the books and for capital assets that were removed from the depreciation schedule in the prior periods that were still owned by the City in the amount of \$19,383. The Government-Wide financial statements were also adjusted in the prior period for the implementation of GASB 68 and 71 to record the net pension liability and deferred inflows and outflows related to pensions in the amount of \$(22,943,420).

The Public Utility Fund was adjusted in the prior period for capital assets that were disposed of in the prior periods but never removed from the books and for capital assets that were removed from the depreciation schedule in the prior periods that were still owned by the City in the amount of \$(20,000).

The Solid Waste fund was adjusted in the prior period for the implementation of GASB 68 and 71 to record the net pension liability and deferred inflows and outflows related to pensions in the amount of \$(837,464).



**REQUIRED SUPPLEMENTARY INFORMATION**





**CITY OF LAUREL, MISSISSIPPI**

**Budgetary Comparison Schedule  
General Fund  
Year Ended September 30, 2015**

**Schedule 1a**

				Variances	
	Original	Final	Actual	Positive (Negative)	
	Budget	Budget	Budgetary	Original	Final
			Basis	to Final	to Actual
<b>REVENUES</b>					
General property taxes:					
Current	\$ 2,752,801	\$ 2,752,801	\$ 2,745,126	\$ -	\$ (7,675)
Delinquent	-	-	5,019	-	5,019
Penalties and interest on delinquent taxes	7,500	7,500	18,915	-	11,415
Homestead exemption	-	-	127,635	-	127,635
Licenses and permits	185,400	185,400	240,477	-	55,077
Franchise taxes on utilities	1,937,600	1,937,600	2,037,770	-	100,170
Intergovernmental revenue	30,000	30,000	53,748	-	23,748
Gas & oil severance tax	-	-	12,971	-	12,971
State shared revenues	81,950	81,950	46,230	-	(35,720)
Federal grants	-	-	3,186	-	3,186
Local revenues	250,000	250,000	291,394	-	41,394
General sales taxes	9,755,000	9,755,000	9,324,221	-	(430,779)
Charges for services	27,400	27,400	21,941	-	(5,459)
Fines and forfeitures	725,000	725,000	1,295,995	-	570,995
Interest	41,500	41,500	28,436	-	(13,064)
Rents	214,000	214,000	184,676	-	(29,324)
Other revenues	12,000	17,978	28,248	5,978	10,270
Total revenues	<u>16,020,151</u>	<u>16,026,129</u>	<u>16,465,988</u>	<u>5,978</u>	<u>439,859</u>
<b>EXPENDITURES</b>					
General government	3,668,551	3,665,866	3,500,914	2,685	164,952
Public safety	8,673,519	8,695,706	9,051,470	(22,187)	(355,764)
Public works	1,967,941	1,980,941	1,684,439	(13,000)	296,502
Health & welfare	-	-	348,149	-	(348,149)
Culture & recreation	-	-	9	-	(9)
Economic Development	610,497	602,000	607,000	8,497	(5,000)
Capital outlay	485,000	479,236	51,220	5,764	428,016
Debt service	25,000	-	-	25,000	-
Total expenditures	<u>15,430,508</u>	<u>15,423,749</u>	<u>15,243,201</u>	<u>6,759</u>	<u>180,548</u>
Excess (deficiency) of revenues over expenditures	<u>589,643</u>	<u>602,380</u>	<u>1,222,787</u>	<u>12,737</u>	<u>620,407</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance settlements	3,000	17,015	39,920	(14,015)	22,905
Unrealized Gain/Loss Investment	-	-	(8,180)	-	(8,180)
Sale of property	4,000	4,000	12,193	-	8,193
Operating transfers in	50,000	50,000	64,616	-	14,616
Operating transfers out	(1,035,726)	(1,164,832)	(4,242,694)	(129,106)	(3,077,862)
Total other financing sources (uses)	<u>(978,726)</u>	<u>(1,093,817)</u>	<u>(4,134,145)</u>	<u>(143,121)</u>	<u>(3,040,328)</u>
	<u>(389,083)</u>	<u>(491,437)</u>	<u>(2,911,358)</u>	<u>(130,384)</u>	<u>(2,419,921)</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)			<u>8,200,537</u>		
Fund balances - ending (Non-GAAP Budgetary Basis)			\$ 5,289,179		



**CITY OF LAUREL, MISSISSIPPI**

**Budgetary Comparison Schedule  
Recreation Fund  
Year Ended September 30, 2015**

**Schedule 1b**

				Variances	
	Original Budget	Final Budget	Actual Budgetary Basis	Positive Original to Final	(Negative) Final to Actual
<b>REVENUES</b>					
General property taxes:					
Current	\$ 784,599	\$ 784,599	\$ 778,442	\$ -	\$ (6,157)
Delinquent	-	-	1,625	-	1,625
Penalties and interest on delinquent taxes	-	-	5,343	-	5,343
Homestead exemption	-	-	36,428	-	36,428
Local revenues	-	-	-	-	-
Charges for services	240,800	240,800	222,011	-	(18,789)
Other revenues	-	-	226	-	226
Interest	-	-	-	-	-
Total revenues	<u>1,025,399</u>	<u>1,025,399</u>	<u>1,044,075</u>	<u>-</u>	<u>18,676</u>
<b>EXPENDITURES</b>					
General government	395,336	392,597	384,492	2,739	8,105
Culture & recreation	2,012,601	1,987,536	1,821,381	25,065	166,155
Capital outlay	5,200	38,800	23,333	(33,600)	15,467
Total expenditures	<u>2,413,137</u>	<u>2,418,933</u>	<u>2,229,206</u>	<u>(5,796)</u>	<u>189,727</u>
Excess (deficiency) of revenues over expenditures	<u>(1,387,738)</u>	<u>(1,393,534)</u>	<u>(1,185,131)</u>	<u>(5,796)</u>	<u>208,403</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	1,450,000	1,450,000	1,276,717	-	(173,283)
Operating transfers out	49,780	49,780	-	-	(49,780)
Total other financing sources (uses)	<u>1,499,780</u>	<u>1,499,780</u>	<u>1,276,717</u>	<u>-</u>	<u>(223,063)</u>
	<u>112,042</u>	<u>106,246</u>	<u>91,586</u>	<u>(5,796)</u>	<u>(14,660)</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)			<u>(50,869)</u>		
Fund balances - ending (Non-GAAP Budgetary Basis)			\$ 40,717		





**CITY OF LAUREL, MISSISSIPPI**

**Notes to Required Supplemental Information  
Year Ended September 30, 2015**

***Note 1 – Basis of Presentation***

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

***Note 2 – Budget Amendments and Revisions***

The budget is adopted by the City Council through passage of an ordinance. All recommendations for a budget change come from the City Finance Director to the City Council for review and approval.

RECEIVED

FEB 08 2017



**SUPPLEMENTAL INFORMATION**



**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Identifying Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Mississippi Department of Transportation			
Highway Planning and Construction	STP-0270-00(014)	20.205	\$ 254,793
Highway Planning and Construction	STP-999-09(37)	20.205	35,000
Total passed through the Mississippi Department of Transportation			<u>289,793</u>
Passed-through Mississippi Development Authority			
State Administered Small Cities Program Cluster			
Community Development Block Grants/State's Program	1130-13-228-ED-01	14.228	580,859
	1131-14-228-PF-01	14.228	48,080
Total State Administered Small Cities Program Cluster			<u>628,939</u>
Total U.S. Department of Housing and Urban Development			<u>628,939</u>
<b>U.S. DEPARTMENT OF JUSTICES</b>			
Edward Byrne Memorial (JAG) Program		16.738	13,034
Bulletproof Vest Partnership Program		16.607	3,186
Passed Through Mississippi Department of Public Safety			
Violence Against Women Formula Grants	12SL2371/13SL2371	16.588	32,525
Total passed through Mississippi Department of Public Safety			<u>32,525</u>
Total U.S. Department of Justice			<u>48,745</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	58,280
Passed through Mississippi Dept of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds	SRF-C280730-06	66.458	344,019
Passed Through Mississippi Department of Health			
Capitalization Grants for Drinking Water State Revolving Funds	DWI-L340021-02	66.468	664,680
Total U.S. Environmental Protection Agency			<u>1,066,979</u>
<b>Total for All Federal Award Expenditures</b>			<u><u>\$ 2,034,456</u></u>

**NOTES TO THE SCHEDULE:**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.



**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**







**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

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

Members of the City Council  
City of Laurel, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Laurel, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Laurel, Mississippi's basic financial statements, and have issued our report thereon dated March 15, 2016.

**Internal Control Over Financial Reporting**

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the finding 2015-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.



### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

*Holt & Associates, PLLC*

March 15, 2016





**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the City Council  
City of Laurel, Mississippi

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

We have audited City of Laurel, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Laurel's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Laurel, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

RECEIVED

FEB 08 2017



## Report on Internal Control Over Compliance

Management of the City of Laurel, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Laurel, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Holt & Associates, PLLC*

Laurel, Mississippi

March 15, 2016





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





**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

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

Honorable Mayor and Members of the City Council  
City of Laurel, Mississippi

We have audited the basic financial statements of the City of Laurel, Mississippi as of and for the year ended September 30, 2015, and have issued our report thereon dated March 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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 other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements did not disclose material instances of noncompliance with state laws and regulations.

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.

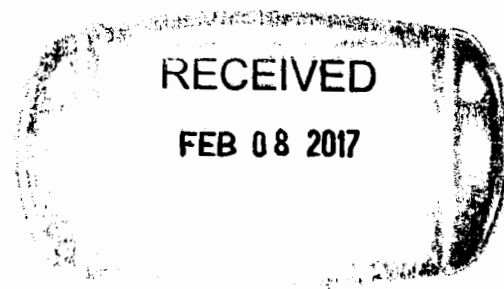
*Holt & Associates, PLLC*

Laurel, Mississippi

March 15, 2016



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**





**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2015**

***Section 1: Summary of Auditor's Results***

**Financial Statements:**

- |    |  |                |
|----|--|----------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified    |
| 2. | Internal control over financial reporting:                   |                |
| a. | Material weakness(es) identified?                            | Yes            |
| b. | Significant deficiency(ies) identified?                      | No             |
| 3. | Noncompliance material to the financial statements noted?    | None reported. |

**Federal Awards:**

- |    |  |                |
|----|--|----------------|
| 4. | Internal control over major programs:  |                |
| a. | Material weakness(es) identified?  | No             |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses?                          | No             |
| 5. | Type of auditor's report issued on compliance for major federal programs:  | Unqualified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | None reported. |
| 7. | Federal programs identified as major programs:   |                |
|    | -Capitalization Grants for Clean Water State Revolving Funds<br>CFDA #66.458                                       |                |
|    | -Community Development Block Grant/State's Programs and Non-Entitlement Grants In Hawaii<br>CFDA#14.228            |                |
| 8. | The dollar threshold used to distinguish between type A and type B programs:                                       | \$300,000      |
| 9. | Auditee qualified as a low-risk auditee?   | Yes            |





**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2015**

***Section 2: Financial Statement Findings:***

**FINDING 2015-01**

**Finding:**

The bank statements for the City of Laurel, Mississippi's various accounts were not reconciled to the general ledger.

**Recommendation:**

We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all reconciling items be promptly investigated and adjusted with adequate explanations.

**Response:**

The City will reconcile bank accounts monthly to the general ledger.

***Section 3: Federal Award Findings and Questioned Costs***

The results of our tests did not disclose any findings and questioned costs related to federal awards.



**CITY OF LAUREL, MISSISSIPPI  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**RECEIVED**

**FEB 08 2017**





# The City of Laurel

## Mississippi

Post Office Box 647  
Laurel, Mississippi 39441

### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_ 315(b) of OMG Circular A-133, the City of Laurel, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015:

Finding:  
2015-1:

Corrective Action Plan Details:  
Name of Contact Person Responsible for Corrective Action:  
Mary Ann Hess, Finance Director (601) 428-6430

Corrective Action Planned:

Management will reconcile bank accounts to the general ledger monthly and promptly investigate any reconciliation discrepancies.

Anticipated Completion Date:  
Immediately



**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Surety Bonds for Public Officials  
Year Ended September 30, 2015**

<u>Position</u>	<u>Insurance Company</u>	<u>Coverage</u>
Council Members	Travelers'	\$ 100,000
Mayor (Blanket Bond)	Travelers'	100,000
Chief of Police	Travelers'	50,000
City Clerk/Financial Director	Travelers'	50,000
Deputy City Clerks	Travelers'	50,000
City Accountant	Travelers'	50,000
Clerks and Bookkeepers including Water Dept.	Travelers'	50,000
Notary Bonds	Travelers'	5,000
Employee Blanket Bond	Travelers'	25,000

RECEIVED

FEB 08 2017



