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CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2016**

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CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2016**

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CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2016**

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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, 2016, 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information⁹ of the City of Laurel, Mississippi as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of City Contributions, Schedule of Changes in Net Pension Liability, and the Schedule of Employer Contributions on pages 6-17 and 65-71, respectively, 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 basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 April 20, 2017 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

Laurel, MS

April 20, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2016

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, 2016. 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 2016 were as follows:

- Total net position increased by \$1,861,888 or 8% from 2015, including a prior period adjustment of \$167,342
- Total assets increased by \$16,991,164 or 18% from 2015
- Total liabilities increased by \$16,066,848 or 22% from 2015
- In total, equity in pooled cash and cash equivalents increased \$3,683,778, or 294% from 2015
- Overall, the book value of capital assets increased by \$4,566,226 from 2015

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 2016?" 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, 2016

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, Tourism Bond 1996 Fund, Tourism Bond 1998 Fund, Capital Improvements Fund, Street Improvement Fund, Recreation Improvement Fund, SRF Capital Project, Public Utility Fund, 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 26 and 27.



CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2016

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.

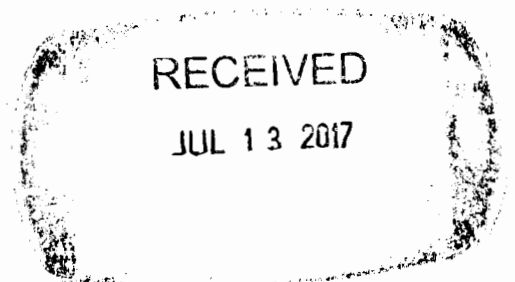
Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 28-30. Operating revenues of the water and sewer system are utilized to fund operations and maintenance expenses 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 2016 compared to 2015.

Table 2 shows the Changes in Net Position for the year ended September 30, 2016.

(See Next Pages for Table 1 and Table 2)





CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2016

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	\$ 23,036,311	\$ 11,458,307	\$ 12,905,592	\$ 12,058,658	\$ 35,941,903	\$ 23,516,965
Capital assets, net	47,690,703	43,363,471	26,050,917	25,811,923	73,741,620	69,175,394
Total assets	\$ 70,727,014	\$ 54,821,778	\$ 38,956,509	\$ 37,870,581	\$ 109,683,523	\$ 92,692,359
DEFERRED OUTFLOWS	\$ 5,717,315	\$ 5,022,566	\$ 263,542	\$ 254,771	\$ 5,980,857	\$ 5,277,337
LIABILITIES						
Current and other liabilities	3,846,816	3,544,064	1,960,711	2,516,529	5,807,527	6,060,593
Long-term liabilities, outstanding:						
Due within one year	2,463,883	2,455,309	1,381,092	1,136,960	3,844,975	3,592,269
Payable after one year	28,314,506	14,186,866	19,784,637	19,856,585	48,099,143	34,043,451
Net pension liability	30,902,745	29,068,303	1,344,167	1,167,093	32,246,912	30,235,396
Total liabilities	\$ 65,527,950	\$ 49,254,542	\$ 24,470,607	\$ 24,677,167	\$ 89,998,557	\$ 73,931,709
DEFERRED INFLOWS	\$ 248,920	\$ 473,303	\$ 15,242	\$ 24,911	\$ 264,162	\$ 498,214
NET POSITION						
Net investment in capital assets	17,165,527	26,721,296	4,907,207	4,818,378	22,072,734	31,539,674
Restricted	10,723,814	2,944,857	-	-	10,723,814	2,944,857
Unrestricted	(17,221,882)	(19,549,654)	9,826,995	8,604,896	(7,394,887)	(10,944,758)
Total net position	\$ 10,667,459	\$ 10,116,499	\$ 14,734,202	\$ 13,423,274	\$ 25,401,661	\$ 23,539,773

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CITY OF LAUREL, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2016**

Table 2

Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
REVENUES:						
Program Revenues:						
Charges for services	\$ 2,136,696	\$ 1,870,441	\$ 12,179,814	\$ 11,307,881	\$ 14,316,510	\$ 13,178,322
Capital grants and contributions	2,386,650	848,208	-	-	2,386,650	848,208
Total program revenues	4,523,346	2,718,649	12,179,814	11,307,881	16,703,160	14,026,530
General Revenues:						
Property taxes	5,382,473	4,748,911	-	-	5,382,473	4,748,911
Other taxes	10,903,776	11,662,143	-	-	10,903,776	11,662,143
Grants and contributions not restricted to specific programs	1,620,204	1,702,810	-	-	1,620,204	1,702,810
Other general revenues	1,275,208	1,268,845	360,555	432,339	1,635,763	1,701,184
Total general revenues	19,181,661	19,382,709	360,555	432,339	19,542,216	19,815,048
Total revenues	23,705,007	22,101,358	12,540,369	11,740,220	36,245,376	33,841,578
PROGRAM EXPENSES						
General government	4,839,005	4,583,620	-	-	4,839,005	4,583,620
Public safety	11,165,246	10,463,461	-	-	11,165,246	10,463,461
Public works	2,347,378	2,539,738	-	-	2,347,378	2,539,738
Health and welfare	420,624	388,592	-	-	420,624	388,592
Culture and recreation	2,557,422	2,474,331	-	-	2,557,422	2,474,331
Economic development	827,309	681,543	-	-	827,309	681,543
Water and sewer	-	-	11,466,851	12,124,114	11,466,851	12,124,114
Interest and fiscal charges	926,995	441,020	-	-	926,995	441,020
Total program expenses	23,083,979	21,572,305	11,466,851	12,124,114	34,550,830	33,696,419
Increase in net position before transfers	621,028	529,053	1,073,518	(383,894)	1,694,546	145,159
Transfers	50,000	(2,336,749)	(50,000)	2,336,749	-	-
Increase in net position after transfers	671,028	(1,807,696)	1,023,518	1,952,855	1,694,546	145,159
Net Position - Beginning	10,116,499	34,848,232	13,423,274	12,327,883	23,539,773	47,176,115
Prior Period Adjustment	(120,068)	(22,924,037)	287,410	(857,464)	167,342	(23,781,501)
Net Position - Beginning, as Restated	9,996,431	11,924,195	13,710,684	11,470,419	23,707,115	23,394,614
Net Position - Ending	\$ 10,667,459	\$ 10,116,499	\$ 14,734,202	\$ 13,423,274	\$ 25,401,661	\$ 23,539,773



CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2016

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 position of the City's governmental activities increased by \$550,960, including the effects of prior period adjustment of \$(120,068) and the unrestricted net position of the City increased by \$2,323,772. By far the largest portion of the City's net position (87% for 2016 and 134% for 2015) 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 \$8,751,501 in sales tax collections from the State of Mississippi, or 46% of general revenues; revenues from the collection of property taxes accounted for \$5,382,473, or 28% of general revenues. Franchise taxes collected from various entities located within the City accounted for \$1,829,407, or 10% of general revenues. Revenues received from charges for services and grants amounted to \$4,523,346, or 24% of general revenues.

Major expense activities, under the accrual basis of accounting, included Public Safety expenses accounting for \$11,165,246, or 48% of total program expenses. Public works accounted for \$2,347,378, or 10% 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 \$1,310,928 including the effect of a prior period adjustment of \$287,410 in 2016. The substantial increase in 2016 was mainly due to decrease in spending and the increase in 2016 was mainly due to decrease 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 \$24,441,892 and expenditures of \$27,213,226.

The fund balances of the general fund decreased by \$1,459,444 while expenditures exceeded revenues by \$1,221,871. Much of the excess was transferred to other funds. These funds used the transfers for street maintenance, recreation programs, and construction projects.



CITY OF LAUREL, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2016**

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 2016, 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, 2016 and 2015.

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

	2016	2015
Land	\$ 887,520	\$ 887,520
Buildings and infrastructure	41,491,020	35,550,870
Furniture and equipment	2,977,825	2,644,091
Construction in progress	2,334,338	4,280,990
Total	<u>\$ 47,690,703</u>	<u>\$ 43,363,471</u>



CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2016

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, 2016 and 2015.

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

	<u>2016</u>	<u>2015</u>
Buildings and infrastructure	\$ 19,255,365	\$ 21,106,559
Furniture and equipment	1,575,770	1,367,975
Construction in progress	5,219,782	3,337,389
Total	<u>\$ 26,050,917</u>	<u>\$ 25,811,923</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, 2016, the construction in progress total for the water and sewer improvements was \$5,219,782. The improvements are expected to be completed by the end of fiscal year 2017. 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 46-48 of this report.

General Long-Term Obligations

At September 30, 2016, the City of Laurel, Mississippi had \$51,944,118 in outstanding general obligation bonds payable and notes payable. The City's long-term debt at September 30, 2015 was \$37,652,108. 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, 2016

	2016	2015
General Bonded Debt		
General Obligation Bonds	\$ 21,215,000	\$ 8,505,000
CAP Loans Payable	4,628,566	4,972,175
MS Development Bank Bonded Debt	2,745,000	3,165,000
Notes payable	1,443,676	-
Capital leases	492,934	-
Subtotal General Bonded Debt	30,525,176	16,642,175
Revenue Bonds		
Water and Sewer General Obligation Bonds	2,120,000	2,350,000
Water and Sewer Revenue Bonds	2,950,000	3,095,000
CAP Loans Payable	178,935	206,269
General Obligation Notes - State Revolving Loan Fund	15,826,936	15,073,940
Notes payable	63,339	-
Capital leases	4,500	28,999
Subtotal Revenue Bonds	21,143,710	20,754,208
Compensated Absences	275,232	255,725
Total Long-Term Obligations	<u>\$ 51,944,118</u>	<u>\$ 37,652,108</u>

Additional information of the City's long-term debt can be found in Note 6 on pages 49-52 of this report.

Current Issues

In Fiscal Year 2016, the City of Laurel had several projects underway, including street improvements, water and sewer projects, new construction, and recreation improvements. The City of Laurel, Mississippi also received and administered several grant programs. These projects were accomplished without raising the city's ad valorem taxes in Fiscal Year 2016. 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 2016.

Street Improvements

In February, 2013, the City of Laurel, Mississippi 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 were funded with the bond proceeds; the Seventh Avenue Project and Grandview Drive Project have been completed.

Leontyne Price Corridor – Plans for Leontyne Price Boulevard 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 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 and securing necessary right-of-way.



CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2016

In December of 2015, the City of Laurel, Mississippi issued a GO bond in the amount of \$10 million for street repair and reconstruction. The citizens of Laurel recognize the need for good streets within our city and not a single objection was raised at the required public hearings. This bond was especially designated for commercial and residential streets within the city. The first contract for street repair was started in FY 2016.

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 was used to replace two unsafe bridges with pedestrian walking bridges. These two bridges are located within two of our city parks. This project was completed. 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. Unfortunately, this historic train has fallen in a state of disrepair and this pavilion is necessary to protect it from the elements. Future plans are to restore the train once the pavilion is in place.

MDOT awarded the City another grant in the amount of \$705,000 which will include the realignment of the flagpole roundabout and drainage improvements along Central Avenue, which is the major street in our downtown area.

A project to replace the existing street lighting with decorative street lighting along Sixth Avenue (which is in our historic district) was completed in FY 2016. The project cost was around \$181,000. It was financed through a loan from the South Mississippi Planning and Development District and is being repaid through a special ad valorem tax assessment to those homeowners on Sixth Avenue.

Public Utility (Water/Sewer) Projects

Our water and wastewater contractor is Suez Water Environmental Services, Inc. By agreement, Suez has 48 employees on staff. Their annual base contract is \$2,981,730.00. There were 5,213,360,000 gallons of wastewater treated at Massey and Smiley lagoons, while we produced 2,507,647,190 gallons of water.

The City of Laurel completed a sewer line replacement project and funded by the State Revolving Fund in several areas of the city for \$2,012,776. Mainly because of the increase in the debt service within this fund, the water and sewer rates were increased by 3% beginning in March 2016.

The City has also received a Community Development Block Grant for Low-Income Areas. This grant was used to replace water and sewer lines along Queensburg Avenue and Palmer Avenue. The amount of the grant was \$730,000 and the City committed \$600,000 as a match on this grant. This project was completed in FY 2016.

Drainage Improvements

The City of Laurel, Mississippi is located between two creeks that eventually join south of the City. Because of this, Laurel has a never-ending battle with drainage. The City partners with the Natural Resource Conservation Service (NRCS) and the Pat Harrison Waterway to improve our drainage ditches and our creeks. During FY 2016, the City began a NRCS drainage project along E. Elmo, Oak Park Blvd. and Mason Park at a total cost of \$252,500; our local match was \$63,000.00. This project will continue into FY 2017.



CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2016

Police Department

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. A project to waterproof the sides and to provide a new roof for the Police Station was financed through a short-term loan (\$500,000) with Community Bank.

In 2015, the Laurel Police Department (LPD) participated in several inter-governmental activities within the community. These included:

- 1) Graduated 540 students from the DARE program.
- 2) Collected over 230 pounds of unwanted and outdated prescription drugs during April and September working with DEA.
- 3) Conducted Night Out Against Crime and distributing over 500 book bags and supplies for children.
- 4) Participated in the Domestic Violence Awareness Month.
- 5) Sponsored two children from the Salvation Army Angel Tree Program for Christmas for the fifth year in a row.
- 6) Rang the bell for the Salvation Army at Walmart raising approximately \$800.
- 7) Sponsored the second annual Stuff-A-Truck for the Good Samaritan Center.
- 8) Sponsored their annual Shop with a Cop for thirty children and teamed up with the Fraternal Order of Police, Walmart and Laurel Ford to provide fifty new bikes to children.

Fire Department

Last year the fire department answered 885 calls, with 137 of those being for fires and 284 being for rescue and emergency medical. They recorded an estimated total of \$1,134,902 in property and content losses. They ordered and received a new pumper truck in August 2016, which was financed with a CAP Loan.

The Laurel Fire Department received a \$98,000 grant from FEMA which will be used to train our firefighters in hazardous materials training (haz/mat) and also purchase related haz/mat material gear. Another purpose of the grant is for overtime for the firefighters who have to fill in for those firefighters who are attending haz/mat training.

Public Works Department (including Sanitation Department)

In FY 2016, the Public Works Department picked up 14,994 cubic yards of rubbish and collected 27,796 cubic yards of debris. The City purchased one piece of capital equipment, a 20 yard garbage truck from the county for \$83,750, which was paid from the unappropriated fund balance within the Sanitation Fund.

Recreation Department

During the year, the Parks Division removed 33 diseased, dead or dangerous trees throughout the city, kept up the flowerbeds throughout the city and edged curbs and sidewalks. At Gardiner Park, six park benches and five new tables donated by Lowe's were installed. At the Sportsplex, the 1800 sq. ft. splash pad that was installed by a Leadership Jones County in 2014 was resurfaced by employees of the department. The pool deck was painted at the Natatorium and five swim meets were hosted there in 2016.



CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2016

Sixty teams from eleven states from Texas to Virginia were in Laurel to participate in the following tournaments:

- 1) Dixie Youth 7-8 year old Coach Pitch World Series,
- 2) 7-8 year old Machine Pitch World Series,
- 3) 10 year old World Series,
- 4) 12 year old World Series,
- 5) 12 year old O-Zone World Series.

A Leadership Jones County class is building a male and female restroom for the soccer fields, at no cost to the city. At Boots Smith Fields, the Parks and Recreation Department replaced the ballfield lights and fencing with proceeds from a grant. At West Fields they hosted two adult co-ed softball tournaments, hosted the Dixie Pre-Majors 15-16 year-old State Tournament, and hosted the 17-19 year old state tournament. At A. W. Watson field the Recreation Department hosted the semi-pro state tournament.

In 1996 and 1998, the City of Laurel, Mississippi 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 and the first one was paid off in March 2016. The one cent sales tax was used to finance another \$4.4 million bond issue and engineering design plans are underway to build eight more softball fields to the complex.

The Recreation Department received a MDOT Urban Youth Grant to hire young people in our recreation facilities during the summer of 2016. The amount of the grant was \$35,000.00 and the City matched this amount with an additional \$7,000.00. This year they cleared land at the Sportsplex.

Brownfields Grant

The City was awarded a Brownfields grant in the amount of \$400,000 beginning in October 2014. The purpose of this grant is 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 second year of the three-year process. Several pieces of property have already been assessed and are ready for the remediation phase of the project.

Conclusion

The City of Laurel, Mississippi is a vibrant and growing city with many projects currently underway or in the planning and design stage. Maintaining and improving new and existing infra-structure are the two top priorities for this Mayor and City Council. The Administration will continue to be involved in the day-to-day management of our City in order for our City to meet the challenges we will face in the future.

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 Systems, Inc. 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, 2016

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,476,771	\$ 3,458,607	\$ 4,935,378
Short-term investments	16,995,014	5,106,569	22,101,583
Accrued interest receivable	30,545	27,654	58,199
Accounts receivable	19,920,165	2,743,840	22,664,005
Allowance for uncollectibles	(17,531,853)	(1,244,795)	(18,776,648)
Due from other funds	168,386	2,810,766	2,979,152
Due from other governments	1,839,951	-	1,839,951
Inventory	17,157	-	17,157
Prepaid assets	55,536	2,951	58,487
Deferred charges	64,639	-	64,639
Capital assets, net	47,690,703	26,050,917	73,741,620
Total Assets	\$ 70,727,014	\$ 38,956,509	\$ 109,683,523
DEFERED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	\$ 5,717,315	\$ 263,542	\$ 5,980,857
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,112,758	\$ 482,471	\$ 1,595,229
Customer deposits	1,000	635,897	636,897
Due to other funds	1,968,423	842,343	2,810,766
Due to other governments	764,635	-	764,635
Long-term liabilities (Due within one year)			
Capital related liabilities	2,463,883	1,381,092	3,844,975
Long-term liabilities (Due beyond one year)			
Capital related liabilities	28,061,293	19,762,618	47,823,911
Non-capital related liabilities	253,213	22,019	275,232
Net pension liability	30,902,745	1,344,167	32,246,912
Total Liabilities	\$ 65,527,950	\$ 24,470,607	\$ 89,998,557
DEFERED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 248,920	\$ 15,242	\$ 264,162
NET POSITION			
Investment in capital assets (net of related debt)	17,165,527	4,907,207	22,072,734
Restricted for:			
Capital improvements	10,030,521	-	10,030,521
Debt service	608,937	-	608,937
Unemployment benefits	84,356	-	84,356
Unrestricted	(17,221,882)	9,826,995	(7,394,887)
Total Net Position	\$ 10,667,459	\$ 14,734,202	\$ 25,401,661

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



CITY OF LAUREL, MISSISSIPPI

Statement of Activities
Year Ended September 30, 2016

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
GOVERNMENTAL:							
General government	\$ 4,839,005	\$ -	\$ -	\$ 181,334	\$ (4,657,671)	\$ -	\$ (4,657,671)
Public safety	11,165,246	1,666,684	-	99,415	(9,399,147)	-	(9,399,147)
Public works	2,347,378	187,291	-	2,105,901	(54,186)	-	(54,186)
Health & welfare	420,624	-	-	-	(420,624)	-	(420,624)
Culture & recreation	2,557,422	282,721	-	-	(2,274,701)	-	(2,274,701)
Economic development	827,309	-	-	-	(827,309)	-	(827,309)
Interest	926,995	-	-	-	(926,995)	-	(926,995)
Total governmental activities	23,083,979	2,136,696	-	2,386,650	(18,560,633)	-	(18,560,633)
BUSINESS-TYPE:							
Water & sewer	11,466,851	12,179,814	-	-	-	712,963	712,963
Total business-type activities	11,466,851	12,179,814	-	-	-	712,963	712,963
Total primary government	\$ 34,550,830	\$ 14,316,510	\$ -	\$ 2,386,650	(18,560,633)	712,963	(17,847,670)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					3,482,335	-	3,482,335
Property taxes, levied for debt service					1,900,138	-	1,900,138
Sales taxes					8,751,501	-	8,751,501
Franchise taxes					1,829,407	-	1,829,407
Homestead exemption					242,352	-	242,352
Gas and oil severance tax					13,362	-	13,362
Payments in lieu of taxes					67,154	-	67,154
Grants and contributions not restricted to specific programs					1,620,204	-	1,620,204
Unrestricted investment earnings					170,532	141,334	311,866
Unrealized gain (loss) on investments					81,504	32,841	114,345
Other local sources					252,576	199,450	452,026
Rents and royalties					113,343	-	113,343
Gain/loss on sale of assets					(9,018)	(13,070)	(22,088)
Other revenues					666,271	-	666,271
Transfers, net					50,000	(50,000)	-
Total general revenues and transfers					19,231,661	310,555	19,542,216
CHANGE IN NET POSITION					671,028	1,023,518	1,694,546
NET POSITION - BEGINNING					10,116,499	13,423,274	23,539,773
Prior Period Adjustment					(120,068)	287,410	167,342
NET POSITION - BEGINNING, AS RESTATED					9,996,431	13,710,684	23,707,115
NET POSITION - ENDING					\$ 10,667,459	\$ 14,734,202	\$ 25,401,661

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

CITY OF LAUREL, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2016

EXHIBIT C

	Capital Improvements Fund	Street Improvement Fund	Recreation Improvement Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 111,647	\$ 83,356	\$ 197,957	\$ 735,574	\$ 1,476,771
Investments	1,443,163	9,572,437	4,039,850	-	16,995,014
Accounts receivable	-	-	-	-	19,920,165
Allowance for uncollectibles	-	-	-	-	(17,531,853)
Accrued interest receivable	2,607	13,232	7,710	-	30,545
Due from other funds	80,263	-	-	141,678	790,716
Due from other governments	-	-	-	35,000	1,839,951
Inventory	-	-	-	-	17,157
Prepaid items	-	-	-	-	55,536
Total assets	\$ 1,637,680	\$ 9,669,025	\$ 4,245,517	\$ 912,252	\$ 23,594,002
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 114,351	\$ 6,925	\$ 40,919	\$ 874,381
Due to other funds	1,176,306	-	-	490,445	2,590,753
Due to other governments	-	-	-	-	764,635
Customer deposits	-	-	-	-	1,000
Total Liabilities	1,176,306	114,351	6,925	531,364	4,230,769
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	-	17,157
Prepaid items	-	-	-	-	55,536
Restricted:					
Debt service	-	-	-	-	847,314
Capital projects	461,374	9,554,674	4,238,592	14,743	14,269,383
Unemployment benefits	-	-	-	84,356	84,356
Assigned:					
Recreational purposes	-	-	-	-	50,030
Public safety and awareness	-	-	-	281,789	281,789
Unassigned:					
Total Fund Balance	461,374	9,554,674	4,238,592	380,888	19,363,233
Total liabilities & fund balance	\$ 1,637,680	\$ 9,669,025	\$ 4,245,517	\$ 912,252	\$ 23,594,002

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



CITY OF LAUREL, MISSISSIPPI

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2016**

EXHIBIT C-1

Total fund balances for governmental funds (Exhibit C)	\$ 19,363,233
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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	2,334,338	
Buildings and infrastructure	63,208,196	
Furniture and mobile equipment	8,397,979	
Accumulated Depreciation	<u>(27,137,330)</u>	47,690,703

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	(21,215,000)	
Notes payable	(9,310,176)	
Compensated Absences	(253,213)	
Accrued interest payable	<u>(238,377)</u>	(31,016,766)

3. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Deferred Charges	<u>64,639</u>	64,639
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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>(30,902,745)</u>	(30,902,745)
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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	5,717,315	
Deferred inflows of resources related to pensions	<u>(248,920)</u>	<u>5,468,395</u>

Total net position of governmental activities (Exhibit A)	<u><u>\$ 10,667,459</u></u>
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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, 2016

	Capital Improvements Fund	Street Improvement Fund	Recreation Improvement Fund	Other Governmental Funds	EXHIBIT D Total Governmental Funds
REVENUES					
General property taxes:					
Current	\$ -	\$ -	\$ -	\$ -	\$ 5,326,066
Delinquent	-	-	-	-	4,384
Penalties and interest on delinquent taxes	-	-	-	-	37,366
Homestead exemption	-	-	-	-	257,009
Licenses and permits	-	-	-	-	187,291
Franchise taxes on utilities	-	-	-	-	1,829,407
Intergovernmental revenue	-	-	-	-	67,154
Gas & oil severance tax	-	-	-	-	13,362
State shared revenues	-	-	-	118,907	1,620,204
Federal grants	-	-	-	2,235,768	2,235,768
State grants	150,882	-	-	-	150,882
Local revenues	-	-	-	-	252,576
General sales taxes	-	-	-	-	8,751,501
Charges for services	-	-	-	-	282,721
Fines and forfeitures	-	-	-	137,544	1,666,684
Interest	69,997	73,401	5,952	-	170,532
Rents	-	-	-	-	113,343
Other revenues	-	-	-	290,711	1,475,642
Total revenues	220,879	73,401	5,952	2,782,930	24,441,892
EXPENDITURES					
General government	-	-	-	112,899	4,031,660
Public safety	-	-	-	221,661	9,637,794
Public works	-	197,905	-	6,786	1,727,165
Health & welfare	-	-	-	-	355,410
Culture & recreation	-	-	113,216	270,098	2,151,281
Economic Development and Assistance	-	-	-	-	827,309
Capital outlay	1,442,750	124,688	95,752	3,330,555	4,993,745
Debt service:					
Principal	-	-	-	73,295	2,758,919
Interest and fiscal charges	-	208,402	-	18,774	729,943
Total expenditures	1,442,750	530,995	208,968	4,034,068	27,213,226
Excess (deficiency) of revenues over expenditures	(1,221,871)	(457,594)	(203,016)	(1,251,138)	(2,771,334)
OTHER FINANCING SOURCES (USES)					
Unrealized gain (loss) on investments	12,427	12,268	41,608	-	81,504
Legal settlements	-	-	-	-	8,563
Loan proceeds	-	10,000,000	4,400,000	500,000	14,900,000
Sale of property	-	-	-	-	1,000
Operating transfers in	-	-	-	336,000	1,729,418
Operating transfers out	(250,000)	-	-	(1,000)	(1,679,418)
Total other financing sources (uses)	(237,573)	10,012,268	4,441,608	835,000	15,041,067
Net change in fund balances	(1,459,444)	9,554,674	4,238,592	(416,138)	12,269,733
Fund balances					
October 1, 2015, as previously reported	1,920,818	-	-	763,157	8,133,930
Prior period adjustments	-	-	-	33,869	(1,040,430)
October 1, 2015, as restated	1,920,818	-	-	797,026	7,093,500
Fund balances - ending	\$ 461,374	\$ 9,554,674	\$ 4,238,592	\$ 380,888	\$ 19,363,233

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, 2016

EXHIBIT D-1

Net change in fund balances - total governmental funds (Exhibit D) \$ 12,269,733

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	5,934,646	
Net disposals	(10,018)	
Depreciation expense	<u>(1,597,396)</u>	4,327,232

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.

Proceeds from loans	(15,567,934)	
Payments of debt principal	2,608,919	
Accrued interest payable	(173,407)	
Change in issuance costs	<u>(23,645)</u>	(13,156,067)

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>(10,212)</u>	(10,212)
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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>(2,759,658)</u>	<u>(2,759,658)</u>
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Change in net position of governmental activities (Exhibit B) \$ 671,028

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CITY OF LAUREL, MISSISSIPPI

**Statement of Fiduciary Net Position
September 30, 2016**

EXHIBIT E

	<u>State Assessment Agency Fund</u>	<u>Police & Fire Retirement Trust Fund</u>	<u>Self-Insurance Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 54,619	\$ 57,714	\$ -
Investments	-	-	505,778
Due from other governments	5,108	6,959	-
Prepaid items	-	103,713	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 59,727</u>	<u>\$ 168,386</u>	<u>\$ 505,778</u>
LIABILITIES			
Hospitalization insurance	\$ -	\$ -	\$ 505,778
Due to other governments	-	-	-
Other liabilities	59,728	-	-
Due to other funds	-	168,386	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 59,728</u>	<u>\$ 168,386</u>	<u>\$ 505,778</u>

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

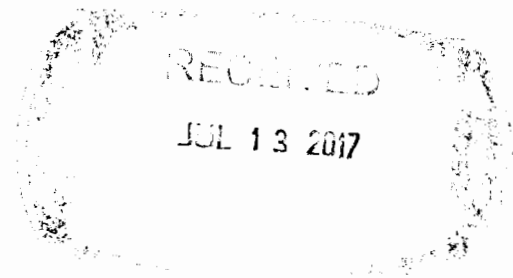


CITY OF LAUREL, MISSISSIPPI

Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2016

EXHIBIT F

	Police & Fire Retirement Trust Fund
ADDITIONS	
General property taxes: current	\$ 701,989
General property taxes: delinquent	777
Penalties & interest	1,474
Homestead exemption reimbursement	15,361
Total additions	<u>719,601</u>
DEDUCTIONS	
General government	
Transfers to PERS	<u>719,601</u>
Total deductions	<u>719,601</u>
CHANGES IN NET POSITION	<u>-</u>
NET POSITION - BEGINNING	-
NET POSITION - ENDING	<u>\$ -</u>



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, 2016

EXHIBIT G

	SRF Capital Project	Public Utility	Solid Waste	Other Proprietary Funds	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 630,907	\$ 783,081	\$ 66,713	\$ 1,977,906	\$ 3,458,607
Short-term investments	-	5,106,569	-	-	5,106,569
Accrued interest receivable	-	27,654	-	-	27,654
Accounts receivable	-	2,390,893	323,715	29,232	2,743,840
Allowance for doubtful accounts	-	(1,025,821)	(218,974)	-	(1,244,795)
Due from other funds	50,408	1,098,203	422,065	1,240,090	2,810,766
Prepaid assets	-	-	2,951	-	2,951
Total current assets	681,315	8,380,579	596,470	3,247,228	12,905,592
NON-CURRENT ASSETS					
Capital assets:					
Buildings & infrastructure	-	72,535,666	-	-	72,535,666
Equipment	-	2,781,191	1,338,792	-	4,119,983
Construction in Progress	4,579,901	319,098	-	320,783	5,219,782
Less accumulated depreciation	-	(54,813,503)	(1,011,011)	-	(55,824,514)
Net non-current assets	4,579,901	20,822,452	327,781	320,783	26,050,917
Total assets	\$ 5,261,216	\$ 29,203,031	\$ 924,251	\$ 3,568,011	\$ 38,956,509
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	\$ -	\$ -	\$ 263,542	\$ -	\$ 263,542
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 395,947	\$ 25,078	\$ 61,446	\$ 482,471
Customer deposits	-	635,897	-	-	635,897
Due to other funds	667,857	24,811	21,242	128,433	842,343
G. O. bonds payable	-	395,000	-	-	395,000
Notes payable	-	991,592	-	-	991,592
Capital lease payable	-	4,500	-	-	4,500
Total current liabilities	667,857	2,447,747	46,320	189,879	3,351,803
NON-CURRENT LIABILITIES					
Compensated absences payable	-	-	22,019	-	22,019
G. O. bonds payable	-	4,675,000	-	-	4,675,000
Notes payable (net of current portion)	-	15,077,618	-	-	15,077,618
Net pension liability	-	-	1,344,167	-	1,344,167
Total non-current liabilities	-	19,752,618	1,366,186	-	21,118,804
Total liabilities	\$ 667,857	\$ 22,200,365	\$ 1,412,506	\$ 189,879	\$ 24,470,607
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	\$ -	\$ -	\$ 15,242	\$ -	\$ 15,242
NET POSITION					
Invested in capital assets, net of related debt	-	(316,758)	327,781	320,783	331,806
Unrestricted	4,593,359	7,319,424	(567,736)	3,057,349	14,402,396
Total net position	4,593,359	7,002,666	(239,955)	3,378,132	14,734,202
Total liabilities and net position	\$ 5,261,216	\$ 29,203,031	\$ 1,187,793	\$ 3,568,011	\$ 39,220,051

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, 2016**

EXHIBIT H

	SRF Capital Project	Public Utility	Solid Waste	Other Proprietary Funds	Total
OPERATING REVENUES					
Water sales	\$ -	\$ 4,601,098	\$ -	\$ -	\$ 4,601,098
Sewer fees and surcharges	-	5,971,864	-	-	5,971,864
Water and sewer connections	-	38,472	-	-	38,472
Sanitation charges	-	-	1,519,852	-	1,519,852
Other charges	-	48,528	-	-	48,528
Total operating revenues	-	10,659,962	1,519,852	-	12,179,814
OPERATING EXPENSES					
Contract Services:					
Supplies	-	843,364	-	-	843,364
Services and charges	-	4,589,116	-	-	4,589,116
Depreciation	-	1,966,835	-	-	1,966,835
Total contracting services	-	7,399,315	-	-	7,399,315
Finance:					
Personnel services	-	312,335	-	-	312,335
Supplies	-	94,686	-	-	94,686
Services and charges	-	879,745	-	-	879,745
Total finance	-	1,286,766	-	-	1,286,766
Public Works:					
Personnel services	-	-	965,971	-	965,971
Supplies	-	-	169,834	833,164	1,002,998
Services and charges	-	-	372,045	-	372,045
Depreciation	-	-	58,993	-	58,993
Total public works	-	-	1,566,843	833,164	2,400,007
Total operating expenses	-	8,686,081	1,566,843	833,164	11,086,088
Operating income	-	1,973,881	(46,991)	(833,164)	1,093,726
NON-OPERATING REVENUES (EXPENSES)					
Interest revenue	-	121,252	-	20,082	141,334
Other non-operating revenues	5,820	18,238	-	175,392	199,450
Transfers in	8,874,205	229,438	-	1,505,000	10,608,643
Transfers out	-	(10,429,205)	-	(229,438)	(10,658,643)
Gain/loss on disposal of asset	-	(5,287)	(7,783)	-	(13,070)
Unrealized gain (loss) on investments	-	61,498	-	(28,657)	32,841
Interest and fiscal charges	-	(380,763)	-	-	(380,763)
Total non-operating revenues (expenses)	8,880,025	(10,384,829)	(7,783)	1,442,379	(70,208)
Change in net position	8,880,025	(8,410,948)	(54,774)	609,215	1,023,518
Total net position - beginning	(4,594,229)	15,413,614	(165,028)	2,768,917	13,423,274
Prior period adjustment	307,563	-	(20,153)	-	287,410
Total net position- beginning, as restated	(4,286,666)	15,413,614	(185,181)	2,768,917	13,710,684
Total net position - ending	\$ 4,593,359	\$ 7,002,666	\$ (239,955)	\$ 3,378,132	\$ 14,734,202

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



CITY OF LAUREL, MISSISSIPPI

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2016**

EXHIBIT I

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 11,762,645
Cash paid to suppliers	(8,346,821)
Cash paid to employees	(1,119,672)
Net cash flows from operating activities	<u>2,296,152</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from other funds	10,608,643
Transfers to other funds	(10,658,643)
Short-term interfund loans	(166,819)
Cash received from United Water contract	175,392
Other non operating revenue(expenses)	1,779,180
Net cash provided by noncapital financing activities	<u>1,737,753</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on long-term debt	(1,168,738)
Proceeds from issuance of long-term debt	1,318,903
Purchase of fixed assets	(2,277,891)
Interest paid on long-term debt	(363,337)
Net cash used by capital and related financing activities	<u>(2,491,063)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	144,008
Proceeds from the sale of investments	1,078,197
Purchases of investments	(210,663)
Net cash used by investing activities	<u>1,011,542</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

2,554,384

CASH AND CASH EQUIVALENTS - OCTOBER 1, 2015

904,223

CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2016

\$ 3,458,607

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

OPERATING INCOME \$ 1,093,726

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation expense	2,025,828
(Increase) decrease in accounts receivables, net of allowances	(439,263)
(Increase) decrease in prepaid assets	93
(Increase) decrease in interest receivable	2,674
(Gain) loss on disposal of fixed assets	13,070
Deferred outflows related to pensions	(8,771)
Increase (decrease) in accounts payable and other accrued liabilities	(589,999)
Increase (decrease) in customer deposits	22,094
Increase (decrease) in compensated absences	9,295
Change in net pension liability	177,074
Deferred inflows related to pensions	(9,669)

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 2,296,152

NON CASH TRANSACTIONS

Unrealized gain (loss) on investments	<u>\$ 32,841</u>
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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, 2016

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.
- 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.



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

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

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.
- Tourism Bond 1996 Fund – This fund is used to account for the retirement of long-term debt in the governmental funds.
- Tourism Bond 1998 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.
- Street Improvements Fund- This fund is used to account for financial resources to be used for the acquisition or construction of major capital infrastructure.
- Recreation Improvement Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.



CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2016

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

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.
- 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, 2016

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, 2016

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.

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CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

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.

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



CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2016

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

Property taxes are levied annually as of October 1st 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, 2016**

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, 2016

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 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, 2016

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, 2016, the City's combined tax rate for general governmental services and other municipal purposes was 106.32 mills or \$104.82 per \$1,000 of assessed valuation expressed as follows:

General Fund	17.04
Special Revenue Fund (Recreation)	4.82
Debt Service Fund	12.03
Firemen and Police Disability and Relief Fund	4.46
Laurel Municipal Separate School District	66.47
Total Mills	<u>104.82</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, 2016

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, 2016**

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 \$5,047,712. The bank balance was \$5,161,451.

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, 2016, none of the City's bank balance of \$5,161,451 was exposed to custodial credit risk.

Investments

As of September 30, 2016, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Collateralized Mortgage Obligations	More than 10 years	\$ 8,805,850
Mortgage Backed Securities	More than 10 years	1,134,715
Municipal Obligations	Less than 1 year	2,405,593
United States Government Obligations	Less than 1 year	4,928,874
Short Term	Less than 1 year	5,332,329
Total		<u>\$ 22,607,361</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, 2016**

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, 2016, 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, 2016.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total Investment</u>
Collateralized Mortgage Obligations	\$ 8,805,850	38.95%
Mortgage Backed Securities	1,134,715	5.02%
Municipal Obligations	2,405,593	10.64%
United States Government Obligations	4,928,874	21.80%
Short Term	5,332,329	23.59%
Total	<u>\$22,607,361</u>	<u>100.00%</u>



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

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	\$ 19,479,836	\$ 17,531,853	\$ 1,947,983
Cemetery	18,184	-	18,184
Other	422,145	-	422,145
Total	<u>\$ 19,920,165</u>	<u>\$ 17,531,853</u>	<u>\$ 2,388,312</u>
Proprietary Funds			
Water and Sewer	\$ 2,390,893	\$ 1,025,821	\$ 1,365,072
Solid Waste	323,715	218,974	104,741
Other	29,232	-	29,232
Total	<u>\$ 2,743,840</u>	<u>\$ 1,244,795</u>	<u>\$ 1,499,045</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	Other Governmental Funds	\$ 298,359
Bond and Interest Retirement Fund	General Fund	82,122
	Fiduciary Fund	168,386
Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	19,908
Capital Improvements Fund	General Fund	80,263
Other Governmental Funds	Other Governmental Funds	141,678
SRF Capital Project	Other Governmental Funds	50,408
Public Utility	General Fund	255,390
	Bond and Interest Retirement Fund	25,281
	SRF Capital Project	667,857
	Other Proprietary Fund	128,433
	Solid Waste Fund	21,242
Solid Waste	General Fund	397,254
	Public Utility Fund	24,811
Other Proprietary Funds	General Fund	63,784
	Capital Improvements Fund	1,176,306
		<u>\$ 3,601,482</u>



CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements
Year Ended September 30, 2016

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	\$ 533,600
	Bond and Interest Retirement Fund	80,726
	Other Governmental Funds	86,000
Recreation Fund	Bond and Interest Retirement Fund	58,092
Tourism Bond 1996 Fund	Recreation Fund	425,000
Tourism Bond 1998 Fund	Recreation Fund	245,000
Street Improvement Fund	Other Governmental Funds	250,000
Other Governmental Funds	Recreation Fund	1,000
Public Utility Fund	General Fund	50,000
	Other Proprietary Funds	1,505,000
	SRF Capital Project	8,874,205
Other Proprietary Funds	Public Utility Fund	229,438
Total		<u>\$ 12,338,061</u>

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

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CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 5 – Capital Assets

Capital asset activity in the governmental funds for the year ended September 30, 2016 was as follows:

Governmental activities:

	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Prior Period Adjustments</u>	<u>Balance 9/30/2016</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 887,520	\$ -	\$ -	\$ -	\$ -	\$ 887,520
Construction in progress	4,280,990	5,291,101	-	(7,254,158)	16,405	2,334,338
Total non-depreciable capital assets	<u>5,168,510</u>	<u>5,291,101</u>	<u>-</u>	<u>(7,254,158)</u>	<u>16,405</u>	<u>3,221,858</u>
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	55,954,038	-	-	7,254,158	-	63,208,196
Furniture and mobile equipment	7,855,513	627,140	(84,674)	-	-	8,397,979
Total depreciable capital assets	<u>63,809,551</u>	<u>627,140</u>	<u>(84,674)</u>	<u>7,254,158</u>	<u>-</u>	<u>71,606,175</u>
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	20,403,168	1,314,008	-	-	-	21,717,176
Furniture and mobile equipment	5,211,422	283,388	(74,656)	-	-	5,420,154
Total accumulated depreciation	<u>25,614,590</u>	<u>1,597,396</u>	<u>(74,656)</u>	<u>-</u>	<u>-</u>	<u>27,137,330</u>
Total depreciable capital assets, net	<u>38,194,961</u>	<u>(970,256)</u>	<u>(10,018)</u>	<u>7,254,158</u>	<u>-</u>	<u>44,468,845</u>
Governmental activities capital assets, net	<u>\$ 43,363,471</u>	<u>\$ 4,320,845</u>	<u>\$ (10,018)</u>	<u>\$ -</u>	<u>\$ 16,405</u>	<u>\$ 47,690,703</u>



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 5 – Capital Assets (Cont.)

Capital asset activity in the proprietary funds for the year ended September 30, 2016 was as follows:

	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Prior Period Adjustments</u>	<u>Balance 9/30/2016</u>
<u>Non-depreciable capital assets:</u>						
Construction in progress	\$ 3,337,388	\$ 1,882,394	\$ -	\$ -	\$ -	\$ 5,219,782
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	72,535,666	-	-	-	-	72,535,666
Furniture and mobile equipment	3,834,208	395,497	(109,722)	-	-	4,119,983
Total depreciable capital assets	<u>76,369,874</u>	<u>395,497</u>	<u>(109,722)</u>	<u>-</u>	<u>-</u>	<u>76,655,649</u>
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	51,429,107	1,851,194	-	-	-	53,280,301
Furniture and mobile equipment	2,466,232	174,634	(96,653)	-	-	2,544,213
Total accumulated depreciation	<u>53,895,339</u>	<u>2,025,828</u>	<u>(96,653)</u>	<u>-</u>	<u>-</u>	<u>55,824,514</u>
Total depreciable capital assets, net	<u>22,474,535</u>	<u>(1,630,331)</u>	<u>(13,069)</u>	<u>-</u>	<u>-</u>	<u>20,831,135</u>
Proprietary activities capital assets, net	<u>\$ 25,811,923</u>	<u>\$ 252,063</u>	<u>\$ (13,069)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,050,917</u>



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 5 – Capital Assets (Cont.)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 454,542
Public Safety	258,109
Public Works	554,255
Health and Welfare	7,461
Culture and Recreation	323,029
	<u>\$ 1,597,396</u>

Depreciation expense charged to the Public Utility and Solid Waste Funds amounted to \$2,025,858 for the year ended September 30, 2016. Commitments under construction contracts at September 30, 2016 are summarized as follows:

<u>Projects Under Contract</u>	<u>Amount Spent to Date</u>	<u>Required Future Financing</u>
<u>Governmental</u>		
Beacon Corridor	\$ 27,700	\$ 4,600,000
Queensburg Project	1,088,049	105,628
Street Bond Phase I	920,483	2,400,000
Sportsplex Expansion	95,753	4,000,000
Ball Field	202,353	222,650
	<u>\$ 2,334,338</u>	<u>\$11,328,278</u>
<u>Proprietary</u>		
2013 SRF Water System Improvements	\$ 5,202,982	\$ -
Utility Improvement	16,800	5,300,000
Total	<u>\$ 5,219,782</u>	<u>\$ 5,300,000</u>



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

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 10-1-2015	Additions	Reductions	Balance 9-30-2016	Amounts Due Within One Year
General Obligation Bonds	\$ 8,505,000	\$ 14,400,000	\$ 1,690,000	\$ 21,215,000	\$ 1,445,000
Notes Payable	8,137,175	1,598,986	918,919	8,817,242	971,646
Obligations under Capital Lease	-	492,934	-	492,934	47,237
Compensated Absences	243,001	10,212	-	253,213	-
Total	<u>\$ 16,885,176</u>	<u>\$ 16,502,132</u>	<u>\$ 2,608,919</u>	<u>\$ 30,778,389</u>	<u>\$ 2,463,883</u>

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

Debt Type	Balance 10-1-2015	Additions	Reductions	Balance 9-30-2016	Amounts Due Within One Year
General Obligation Bonds	\$ 2,350,000	\$ -	\$ 230,000	\$ 2,120,000	\$ 240,000
Revenue Bonds	3,095,000	-	145,000	2,950,000	145,000
Notes Payable	15,280,209	1,558,239	769,238	16,069,210	991,592
Capital leases payable	28,999	-	24,499	4,500	4,500
Compensated Absences	12,724	9,295	-	22,019	-
Total	<u>\$ 20,766,932</u>	<u>\$ 1,567,534</u>	<u>\$ 1,168,737</u>	<u>\$ 21,165,729</u>	<u>\$ 1,381,092</u>

The annual requirements to amortize bond, note principal, and capital leases outstanding for all funds as of September 30, 2016, are as follows:

Year Ended September 30	Obligation Bonds	Interest	Notes Payable	Interest	Capital Leases	Interest
2017	\$ 1,830,000	\$ 788,617	\$ 1,963,238	\$ 380,300	\$ 51,737	\$ 9,956
2018	1,810,000	586,320	2,012,872	340,751	48,244	8,939
2019	1,955,000	539,757	2,064,091	299,888	49,271	7,912
2020	1,670,000	487,594	1,771,030	247,502	50,321	6,862
2021	1,540,000	444,176	1,678,101	226,508	297,860	5,780
2022-2026	9,025,000	1,607,737	8,134,004	1,207,792	-	-
2027-2031	7,840,000	591,985	5,106,477	424,336	-	-
2032-2033	615,000	16,105	2,156,638	74,690	-	-
	<u>\$ 26,285,000</u>	<u>\$ 5,062,291</u>	<u>\$ 24,886,451</u>	<u>\$ 3,201,767</u>	<u>\$ 497,433</u>	<u>\$ 39,449</u>



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 6 – Long-term Liabilities (Cont.)

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts Outstanding</u>
General government	1.0 - 5.25%	\$21,215,000
Proprietary	1.0-3.0%	5,070,000
Total General Obligation Bonds		<u>\$26,285,000</u>

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

B. Notes Payable in Governmental Funds

The City has several notes through the Mississippi Development Authority and various lenders 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	\$ 1,335,597	\$ 2,002,950	\$ 113,238	\$ 811,459	\$ 183,010	\$ 182,312
Interest Rate	3.00%	3.00%	3.00%	3.00%	2.00%	2.00%

	MBIA Loan	Consolidated Loan	SMPDD	Community Bank	Jones County Public Safety Communication Equipment
Date of Note	2/1/2008	6/1/2009	3/9/2016	10/6/2015	10/1/2015
Original Amount	\$ 2,600,000	\$ 2,790,000	\$ 175,000	\$ 500,000	\$ 923,986
Unpaid Principal	\$ 940,000	\$ 1,805,000	\$ 175,000	\$ 410,879	\$ 857,797
Interest Rate	3.00%	3.50%	3.25%	1.45%	3.87%



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 6 – Long-term Liabilities (Cont.)

The annual requirements of the notes payable on note principal outstanding for governmental funds as of September 30, 2016, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 971,646	\$ 253,465	\$ 1,225,111
2018	1,002,880	224,868	1,227,748
2019	1,035,347	195,162	1,230,509
2020	723,180	154,144	877,324
2021	610,778	144,731	755,509
2022-2026	3,126,420	449,425	3,575,845
2027-2031	1,282,752	55,698	1,338,450
2035	64,239	593	64,832
Total	<u>\$8,817,242</u>	<u>\$ 1,478,086</u>	<u>\$ 10,295,328</u>

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.

	<u>State of Mississippi</u>					
Date of Note	9/19/2003	5/1/2004	7/1/2011	5/1/2012	11/1/2013	11/15/2015
Original Amount	\$ 2,129,452	\$ 4,309,018	\$ 870,373	\$ 4,036,493	\$ 4,958,126	\$ 3,916,079
Unpaid Principal	\$ 990,777	\$ 2,193,094	\$ 685,806	\$ 3,262,324	\$ 4,922,691	\$ 3,772,244
Monthly Installment	\$ 11,067	\$ 21,594	\$ 4,551	\$ 20,228	24,935.00	20,642.00
Interest Rate	1.75%	1.75%	3.00%	3.00%	1.75%	1.95%

The City is currently repaying a CAP Loan through the Mississippi Development Authority for capital asset acquisitions and a note payable to Jones County for public safety communication equipment. The Loan is as follows:

	<u>CAP Loan</u>			<u>Jones County Public Safety Communication Equipment</u>	
Date of Note	9/2/2002		Date of Note	10/1/2015	
Original Amount	\$ 500,000		Original Amount	\$ 68,226	
Unpaid Principal	\$ 178,935		Unpaid Principal	\$ 63,339	
Monthly Installment	\$ 2,773		Yearly Installment	\$ 13,388	
Interest Rate	1.75%		Interest Rate	3.87%	



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 6 – Long-term Liabilities (Cont.)

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2016, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 991,592	\$ 126,835	\$ 1,118,427
2018	1,009,992	115,883	1,125,875
2019	1,028,744	104,726	1,133,470
2020	1,047,850	93,358	1,141,208
2021	1,067,323	81,777	1,149,100
2022-2026	5,007,584	758,367	5,765,951
2027-2031	3,823,725	368,638	4,192,363
2032-2035	2,092,399	74,097	2,166,496
Total	<u>\$ 16,069,209</u>	<u>\$ 1,723,681</u>	<u>\$ 17,792,890</u>

D. Obligations Under Capital Leases- Governmental

The City has entered into a lease agreement as lessee for financing the acquisition of a 2016 Saber Chassis Fire Truck for the public utility department at a cost of \$492,934 with no down payment required at signing. This lease qualifies as a capital lease for accounting purposes. The leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2016 Saber Chassis Fire Truck	2.11%	9/30/2016	9/30/2021	492,934	492,934
Total				<u>\$ 492,934</u>	<u>\$ 492,934</u>

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

<u>Year ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	47,237	9,946	57,183
2018	48,244	8,939	57,183
2019	49,272	7,912	57,184
2020	50,321	6,862	57,183
2021	297,860	5,780	303,640
Total	<u>\$ 492,934</u>	<u>\$ 39,439</u>	<u>\$ 532,373</u>



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

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 10-1-2015	Additions	Reductions	Balance 9-30-2016
Howard Industries, Inc.	12/1/1998	\$ 450,000	\$ -	\$ 150,000	\$ 300,000

Note 8 – Defined Benefit Pension Plan

The City participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both Systems are defined benefit plans and include a multi-employer; cost-sharing pension plan and an agent multi-employer pension plan as described below:

General Information about the Pension Plans

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 2016, the City collected 4.46 mills of tax to fund their portion of the plan. The City's contribution to MMRS for the fiscal years ended September 30, 2016, 2015 and 2014 were \$1,443,559, \$1,107,949 and \$1,045,223 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, 2016, 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, 2016, 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, 2016, 2015 and 2014 were \$1,443,519, \$1,107,949 and \$1,434,839, 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, 2016, the City reported a liability of \$32,246,912 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 8 - Defined Benefit Pension Plan (Cont.)

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, 2016, The City's proportion was .14393 percent.

For the year ended September 30, 2016, the City recognized pension expense of \$4,469,101.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			
	PERS		MMRS	Total
	Governmental Activities	Business-Type Activities	Governmental Activities	
Difference between expected and actual experience	\$ 496,965	\$ 30,431	\$ -	\$ 527,396
Net difference between projected and actual earnings on pension plan investments	23,361	1,430	590,083	614,874
Changes in assumptions	2,423,326	148,388	-	2,571,714
City's contributions subsequent to the measurement date	1,360,266	83,293	823,314	2,266,873
Total	<u>\$ 4,303,918</u>	<u>\$ 263,542</u>	<u>\$ 1,413,397</u>	<u>\$ 5,980,857</u>

	Deferred Inflows of Resources			
	PERS		MMRS	Total
	Governmental Activities	Business-Type Activities	Governmental Activities	
Changes in assumptions	\$ 248,920	\$ 15,242	\$ -	\$ 264,162
Total	<u>\$ 248,920</u>	<u>\$ 15,242</u>	<u>\$ -</u>	<u>\$ 264,162</u>

\$2,266,873 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.



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 8 - Defined Benefit Pension Plan (Cont.)

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:

	<u>PERS</u>	<u>MMRS</u>	<u>Total</u>
2016	\$ 1,028,683	\$ 182,044	\$ 1,210,727
2017	1,028,683	182,044	1,210,727
2018	802,373	164,279	966,652
2019	-	61,716	61,716
Total	<u>\$ 2,859,739</u>	<u>\$ 590,083</u>	<u>\$ 3,449,822</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 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.



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 8 - Defined Benefit Pension Plan (Cont.)

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	<u>1.00%</u>	-0.50%
Total	<u>100.00%</u>	

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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability - PERS	\$ 32,965,333	\$ 25,709,492	\$ 19,689,496
City's proportionate share of the net pension liability - MMRS	\$ 7,416,503	\$ 6,537,420	\$ 5,777,387

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

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CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

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.

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.



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 10 – Other Commitments

Operating leases:

The City has an operating agreement for copiers. Lease expenditures for the year ended September 30, 2016 amounts to \$36,913. The lease is on a yearly basis.

Commitments under construction contracts are described in Note 5.

Note 11 – Legal Debt Limit

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2016.

	<u>15 Percent</u>	<u>20 Percent</u>
Authorized Debt Limit:		
Assessed valuation for fiscal year end		
September 30, 2016 (\$168,805,453)	\$ 25,320,818	\$ 33,761,091
Present debt subject to debt limits	<u>(21,215,000)</u>	<u>(30,525,177)</u>
Margin for further indebtedness	<u>\$ 4,105,818</u>	<u>\$ 3,235,914</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.



CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2016

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.

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.

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CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2016

Note 14 – Joint Ventures (Cont.)

The City of Laurel entered into an interlocal agreement with Jones County, Mississippi and the City of Ellisville, Mississippi to operate the Jones County Emergency Operations Center which operates the 911 system and coordinates other civil defense matters. The board consists of the Mayor, Police Chief and Council President from the City of Laurel, Mississippi, four officials from Jones County, Mississippi and the Mayor of Ellisville, Mississippi. The City of Laurel, Mississippi appropriated \$494,363 to the joint venture in 2016. The financial statements of the Jones County Emergency Operations Center are included in the Jones County financial statements.

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. The City appropriates excess funds from Tourism Tax receipts and shares with the South Mississippi Fair Commission. For 2016 and 2015, the City shared \$111,946 and \$74,543, 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)	\$ 2,421,584
Adjustment to GAAP basis:	
Accrued revenues	1,453,391
Accrued expenses	<u>(50,024)</u>
Fund balance (GAAP basis), Sept. 30:	<u>\$ 3,824,951</u>



CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2016

Note 17 – Deficit Fund Balances

The City had the following deficit fund balances at September 30, 2016. The deficits will be financed through future revenues or transfers.

	<u>Fund Balance</u>
Brownfields Grant Fund	\$ (19,557)
Victim's Advocate Grant Fund	(10,237)
P/F Bldg/Grounds Improvement Fund	(88,490)
NRCS/PH Drainage Project Fund	(161,998)
CDBG Capital Project Fund	(33,695)
LFD Federal Grant Fund	(8,894)
Dixie Youth World Series Fund	(475)
	<u>\$ (323,346)</u>

Note 18 – 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 April 20, 2017, the date the financial statements were available to be issued.

Note 20 – Prior Period Adjustments

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

	9/30/2015 <u>Fund Balance</u>	<u>PPA</u>	9/30/2015 <u>Adjusted Fund Balance</u>
Governmental Activities			
Total net position	<u>\$ 10,116,499</u>	<u>\$ (120,068)</u>	<u>\$ 9,996,431</u>
Business-Type Activities			
Total net position	<u>\$ 13,423,274</u>	<u>\$ 287,410</u>	<u>\$ 13,710,684</u>

Governmental Activities

The Government-Wide financial statements were adjusted in the prior period to correct accounts payable balances and amounts due to other governments/funds for \$(1,075,430) and to correct an accrual of revenue for \$35,000. The net position was also adjusted for an error in capital assets of \$16,405 and adjusted for the correction of the prior year deferred outflows related to pensions of \$903,957. The total adjustment decreased the net position by \$(120,068).



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 20 – Prior Period Adjustments (cont'd)

Business-Type Activities

The SRF Capital Project Fund was adjusted in the prior period to correct the loan balance. The adjustment increased the net position of the fund by \$307,563.

The Solid Waste fund was adjusted in the prior period to correct accounts payable balance. The adjustment decreased the fund balance by \$20,153.

The total adjustments increased the Business-type activities net position by \$287,410.

General Fund

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record prior a period adjustment to correct accounts payable balance and interfund transactions recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the Recreation Fund is as follows:

Beginning fund balance	\$ 4,818,564
Adjustment for interfund transactions	(625,000)
Adjustment to correct accounts payable	<u>(304,187)</u>
Beginning fund balance, as restated	<u>\$ 3,889,377</u>

The above adjustment decreased the current year change in fund balance by \$929,187.+3.

Recreation Fund

The beginning fund balance of the Recreation Fund has been restated on the fund basis financial statements to record prior a period adjustment to correct accounts payable balance recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the Recreation Fund is as follows:

Beginning fund balance	\$ 57,384
Adjustment to correct accounts payable	<u>(24,600)</u>
Beginning fund balance, as restated	<u>\$ 32,784</u>

The above adjustment decreased the current year change in fund balance by \$24,600.



CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 20 – Prior Period Adjustments (cont'd)

Tourism Bond 1998 Fund

The beginning fund balance of the Tourism Bond 1998 Fund has been restated on the fund basis financial statements to record prior a period adjustment to correct the amount due to the South MS Fair Board Commission recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the Tourism Bond 1998 Fund is as follows:

Beginning fund balance	\$ 130,273
Adjustment to correct payable	<u>(120,512)</u>
Beginning fund balance, as restated	<u>\$ 9,761</u>

The above adjustment decreased the current year change in fund balance by \$120,512.

Other Governmental Funds

The beginning fund balance of Other Governmental Funds has been restated on the fund basis financial statements to record prior a period adjustment to correct accounts payable balance and accrual of revenue recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the Tourism Bond 1998 Fund is as follows:

Beginning fund balance	\$ 763,157
Adjustment for accrual of revenue	35,000
Adjustment to correct accounts payable	<u>(1,131)</u>
Beginning fund balance, as restated	<u>\$ 797,026</u>

The above adjustment increased the current year change in fund balance by \$33,869.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LAUREL, MISSISSIPPI

**Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2016**

Schedule 1a

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Positive (Negative)	
				Original to Final	Final to Actual
REVENUES					
General property taxes:					
Current	\$ 2,881,000	\$ 2,881,000	\$ 2,658,065	\$ -	\$ (222,935)
Delinquent	-	-	2,714	-	2,714
Penalties and interest on delinquent taxes	10,000	10,000	17,676	-	7,676
Homestead exemption	-	-	121,014	-	121,014
Licenses and permits	248,550	248,550	187,291	-	(61,259)
Franchise taxes on utilities	2,022,600	2,022,600	1,877,568	-	(145,032)
Intergovernmental revenue	-	-	67,154	-	67,154
Gas & oil severance tax	12,000	12,000	13,362	-	1,362
State shared revenues	39,900	39,900	54,141	-	14,241
Local revenues	325,000	325,000	252,569	-	(72,431)
General sales taxes	9,355,000	8,611,000	8,698,735	(744,000)	87,735
Charges for services	26,900	26,900	33,544	-	6,644
Fines and forfeitures	725,000	725,000	574,445	-	(150,555)
Interest	35,000	35,000	17,566	-	(17,434)
Rents	186,000	186,000	113,343	-	(72,657)
Other revenues	4,000	26,728	19,014	22,728	(7,714)
Total revenues	<u>15,870,950</u>	<u>15,149,678</u>	<u>14,708,201</u>	<u>(721,272)</u>	<u>(441,477)</u>
EXPENDITURES					
General government	3,836,450	3,750,255	3,442,392	86,195	307,863
Public safety	9,134,220	8,839,120	9,437,932	295,100	(598,812)
Public works	1,770,552	1,661,398	1,522,474	109,154	138,924
Health & welfare	-	-	355,410	-	(355,410)
Economic Development	807,195	677,396	690,363	129,799	(12,967)
Capital outlay	485,000	479,236	-	5,764	479,236
Debt service	25,000	-	101,947	25,000	(101,947)
Total expenditures	<u>16,058,417</u>	<u>15,407,405</u>	<u>15,550,518</u>	<u>651,012</u>	<u>(143,113)</u>
Excess (deficiency) of revenues over expenditures	<u>(187,467)</u>	<u>(257,727)</u>	<u>(842,317)</u>	<u>(70,260)</u>	<u>(584,590)</u>
OTHER FINANCING SOURCES (USES)					
Insurance/Legal settlements	25,000	25,000	8,563	-	(16,437)
Unrealized Gain/Loss Investment	500,000	500,000	15,287	-	(484,713)
Loan proceeds	-	-	492,934	-	-
Sale of property	-	-	1,000	-	1,000
Operating transfers in	4,000	4,000	50,000	-	46,000
Operating transfers out	50,000	50,000	(700,326)	-	(750,326)
Total other financing sources (uses)	<u>(856,726)</u>	<u>(700,324)</u>	<u>(132,542)</u>	<u>-</u>	<u>(1,204,476)</u>
	<u>(187,467)</u>	<u>(257,727)</u>	<u>(974,859)</u>	<u>(70,260)</u>	<u>(1,789,066)</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)			4,025,630		
Prior period adjustment			(629,187)		
Fund balances - beginning (Non-GAAP Budgetary Basis), as restated			<u>3,396,443</u>		
Fund balances - ending (Non-GAAP Budgetary Basis)			\$ 2,421,584		

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



CITY OF LAUREL, MISSISSIPPI

**Budgetary Comparison Schedule
Recreation Fund
Year Ended September 30, 2016**

Schedule 1b

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Positive (Negative)	
				Original to Final	Final to Actual
REVENUES					
General property taxes:					
Current	\$ 803,100	\$ 803,100	\$ 782,426	\$ -	\$ (20,674)
Delinquent	-	-	614	-	614
Penalties and interest on delinquent taxes	-	-	5,033	-	5,033
Homestead exemption	-	-	34,237	-	34,237
Local revenues	-	-	-	-	-
Charges for services	290,800	290,800	249,177	-	(41,623)
Other revenues	-	2,000	2,174	2,000	174
Total revenues	<u>1,093,900</u>	<u>1,095,900</u>	<u>1,073,661</u>	<u>2,000</u>	<u>(22,239)</u>
EXPENDITURES					
General government	57,350	57,350	429,546	-	(372,196)
Culture & recreation	2,265,207	2,272,707	1,767,967	(7,500)	504,740
Capital outlay	37,626	33,600	-	4,026	33,600
Total expenditures	<u>2,360,183</u>	<u>2,363,657</u>	<u>2,197,513</u>	<u>(3,474)</u>	<u>166,144</u>
Excess (deficiency) of revenues over expenditures	<u>(1,266,283)</u>	<u>(1,267,757)</u>	<u>(1,123,852)</u>	<u>(1,474)</u>	<u>143,905</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,370,000	1,204,600	1,204,600	(165,400)	-
Operating transfers out	58,092	58,092	(58,092)	-	(116,184)
Total other financing sources (uses)	<u>1,428,092</u>	<u>1,262,692</u>	<u>1,146,508</u>	<u>(165,400)</u>	<u>(116,184)</u>
	<u>161,809</u>	<u>(5,065)</u>	<u>22,656</u>	<u>(166,874)</u>	<u>27,721</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)			40,717		
Prior period adjustment			(24,600)		
Fund balances - beginning (Non-GAAP Budgetary Basis), as restated			<u>16,117</u>		
Fund balances - ending (Non-GAAP Budgetary Basis)			<u>\$ 38,773</u>		

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



City of Laurel, Mississippi

Schedule of the City's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.143930%	0.148172%
City's proportionate share of the net pension liability (asset)	\$ 25,709,492	\$ 23,187,042
City's covered-employee payroll	\$ 7,034,597	\$ 9,110,089
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	365.47%	254.52%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the measurement date of 9/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2016, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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



City of Laurel, Mississippi
Schedule of City Contributions
PERS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 823,314	\$ 1,107,949
Contributions in relation to the contractually required contribution	<u>\$ 823,314</u>	<u>\$ 1,107,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	5,227,390	7,034,597
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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



City of Laurel, Mississippi

Schedule of Changes in Net Position Liability

MRS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Total pension liability		
Interest	\$ 855,096	\$ 833,652
Differences between expected and actual experience	21,309	(313,107)
Changes of assumptions	324,098	-
Benefit payments, including refunds of employee contributions	(1,152,454)	(1,112,353)
Net change in total pension liability	<u>48,049</u>	<u>(591,808)</u>
Total pension liability - beginning	<u>11,264,922</u>	<u>11,312,971</u>
Total pension liability - ending (a)	<u><u>\$ 11,312,971</u></u>	<u><u>\$ 10,721,163</u></u>
Plan fiduciary net position		
Contributions- employer	\$ 1,068,848	\$ 994,419
Contributions- member	-	-
Net investment income	136,278	16,591
Benefit payments, including refunds of employee contributions	(1,152,454)	(1,112,353)
Administrative expense	(21,377)	(19,888)
Other	-	40,358
Net change in plan fiduciary net poistion	<u>31,295</u>	<u>(80,873)</u>
Plan net position - beginning	<u>4,233,321</u>	<u>4,264,616</u>
Plan net position - ending (b)	<u><u>\$ 4,264,616</u></u>	<u><u>\$ 4,183,743</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ 7,048,355</u></u>	<u><u>\$ 6,537,420</u></u>
Plan fiduciary net position as a percentage of the total pension liability	37.70%	39.02%
Covered payroll*	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll*	N/A	N/A

*Payroll-related information not provided because plan is closed to new entrants and there are very few reamining active members and many municipalities have no remaining active members.

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



City of Laurel, Mississippi
Schedule of Employer Contributions
MRS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,068,848	\$ 994,419
Contributions in relation to the contractually required contribution	<u>1,068,848</u>	<u>994,419</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	N/A	N/A
Contributions as a percentage of covered-employee payroll**	N/A	N/A

*Payroll-related information not provided because plan is closed to new entrants and there are very few remaining active members and many municipalities have no remaining active members.

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



CITY OF LAUREL, MISSISSIPPI

Notes to Required Supplemental Information Year Ended September 30, 2016

Budgetary Comparison Schedules

(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.

(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.

Pension Schedules

(1) Changes of benefit terms

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.



SUPPLEMENTAL INFORMATION

CITY OF LAUREL
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended September 30, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>		
Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 109,697
Assistance to Firefighters Grant	97.044	53,191
<i>Total Department of Homeland Security</i>		162,888
United States Department of Justice		
Violence Against Women Formula Grants	16.588	27,991
<i>Total Violence Against Women Formula Grants</i>		27,991
Bulletproof Vest Partnership Program	16.607	3,750
<i>Total Bulletproof Vest Partnership Program</i>		3,750
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14,483
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>		14,483
<i>Total United States Department of Justice</i>		46,224
Department of Transportation		
Highway Planning and Construction	20.205	1,325,437
<i>Total Highway Planning and Construction</i>		1,325,437
<i>Total Department of Transportation</i>		1,325,437
United States Environmental Protection Agency		
Capitalization Grants for Clean Water State Revolving Funds	66.458	1,558,239
<i>Total Capitalization Grants for Clean Water State Revolving Funds</i>		1,558,239
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	146,334
<i>Total Brownfields Assessment and Cleanup Cooperative Agreements</i>		146,334
<i>Total United States Environmental Protection Agency</i>		1,558,239
Department of Housing and Urban Development		
Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	705,766
<i>Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii</i>		705,766
<i>Total Department of Housing and Urban Development</i>		705,766
<i>Total Other Programs</i>		3,944,888
<i>Total Expenditures of Federal Awards</i>		\$ 3,944,888

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE





HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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 April 20, 2017.

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 2016-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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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

Laurel, MS

April 20, 2017

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards 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, 2016.

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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 the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Holt & Associates, PLLC

Laurel, Mississippi

April 20, 2017

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





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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, 2016, and have issued our report thereon dated April 20, 2017. 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 performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding #1

Condition: The City's expenditures exceeded amounts budgeted. According to Section 21-35-15, Miss. Code Ann. (1972), expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants.

Recommendation: We recommend the City take greater care in reviewing operations and amending the budget as circumstances require.

Response: Due to the occurrence of twenty-seven (rather than the usual twenty-six) pay periods during FY 2016, some of the personnel line items did exceed budget. We have taken that into account for FY 2017 and budgeted appropriately for those personnel line items.

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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

April 20, 2017

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS



CITY OF LAUREL, MISSISSIPPI

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

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 OMB Uniform Guidance | None reported. |
| 7. | Federal program identified as major programs: | |
| | -Highway Planning and Construction
CFDA #20.205 | |
| 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 |

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CITY OF LAUREL, MISSISSIPPI

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2016**

Section 2: Financial Statement Findings:

FINDING 2016-01

Finding:

During our testing, out of 60 expenditures, we noted that 16 of the expenditures had purchase orders that had been issued after the purchase.

Recommendation:

We recommend that purchase orders are approved and issued before expenditures are made. This process allows for management to approve allowable purchases.

Response:

The City will continue to work with department heads to ensure purchase orders are secured before purchases instituted.

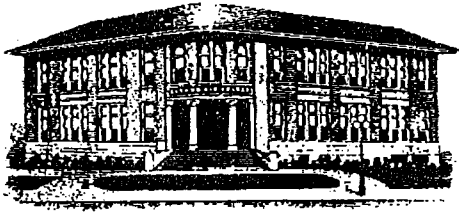
Section 3: Federal Award Findings and Questioned Costs

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, 2016**





The City of Laurel Mississippi

Post Office Box 647
Laurel, Mississippi 39441

AUDITEE'S CORRECTIVE ACTION PLAN

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, 2016:

Finding:
2016-01:

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 continue to educate department heads as to the need to secure purchase orders before purchases are initiated.

Anticipated Completion Date:
Immediately



CITY OF LAUREL, MISSISSIPPI

**Schedule of Surety Bonds for Public Officials
Year Ended September 30, 2016**

<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

