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**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2019**

**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2019**

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**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2019**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of and for the year ended September 30, 2019, 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, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of September 30, 2019, 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 6-16 and 67-72, 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 schedule for surety bonds for municipal officers is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule for surety bonds for municipal officers is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2020 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, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Laurel, Mississippi's 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  
February 20, 2020

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

## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2019**

The Discussion and Analysis of the City of Laurel, Mississippi's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2019. 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 2019 were as follows:

- Total net position increased by \$3,027,649 or 12% from 2018, including a prior period adjustment of \$53,111
- Total assets increased by \$7,587,013 or 6% from 2018
- Total liabilities increased by \$4,425,583 or 5% from 2018
- In total, equity in pooled cash and cash equivalents increased \$657,479, or 7% from 2018
- Overall, the book value of capital assets increased by \$2,695,244 or 3% from 2018

#### **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, Mississippi 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, Mississippi 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 2019?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting 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, 2019**

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 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, Mississippi's Most Significant Funds:**

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

The analysis of the City's major funds begins on page 19. 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, 2019 Drainage Bond Fund, Recreation Improvement Fund, Public Utility Bond Fund, 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 25 and 26.

**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2019**

***Proprietary Funds***

The City of Laurel, Mississippi 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 27-29. 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 2019 compared to 2018.

Table 2 shows the Changes in Net Position for the year ended September 30, 2019.

(See Next Pages for Table 1 and Table 2)

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2019

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and other assets	\$ 30,303,493	\$ 23,554,698	\$ 15,120,487	\$ 16,977,513	\$ 45,423,980	\$ 40,532,211
Capital assets, net	52,579,073	51,594,322	27,424,416	25,713,923	80,003,489	77,308,245
<b>Total assets</b>	<b>\$ 82,882,566</b>	<b>\$ 75,149,020</b>	<b>\$ 42,544,903</b>	<b>\$ 42,691,436</b>	<b>\$ 125,427,469</b>	<b>\$ 117,840,456</b>
<b>DEFERRED OUTFLOWS</b>	<b>\$ 879,073</b>	<b>\$ 570,886</b>	<b>\$ 57,333</b>	<b>\$ 34,156</b>	<b>\$ 936,406</b>	<b>\$ 605,042</b>
<b>LIABILITIES</b>						
Current and other liabilities	9,840,861	6,570,336	3,587,762	2,296,978	13,428,623	8,867,314
Long-term liabilities, outstanding:						
Due within one year	2,500,342	3,027,269	1,892,397	1,633,250	4,392,739	4,660,519
Payable after one year	25,289,932	27,635,968	22,358,341	20,971,469	47,648,273	48,607,437
Net pension liability	28,745,662	28,059,706	1,633,214	1,227,952	30,378,876	29,287,658
<b>Total liabilities</b>	<b>\$ 66,376,797</b>	<b>\$ 65,293,279</b>	<b>\$ 29,471,714</b>	<b>\$ 26,129,649</b>	<b>\$ 95,848,511</b>	<b>\$ 91,422,928</b>
<b>DEFERRED INFLOWS</b>	<b>\$ 1,143,531</b>	<b>\$ 712,403</b>	<b>\$ 77,039</b>	<b>\$ 43,022</b>	<b>\$ 1,220,570</b>	<b>\$ 755,425</b>
<b>NET POSITION</b>						
Net investment in capital assets	25,064,554	21,216,375	2,438,634	3,142,975	27,503,188	24,359,350
Restricted	14,283,118	12,257,769	-	-	14,283,118	12,257,769
Unrestricted	(23,106,361)	(23,759,920)	10,614,849	13,409,946	(12,491,512)	(10,349,974)
<b>Total net position</b>	<b>\$ 16,241,311</b>	<b>\$ 9,714,224</b>	<b>\$ 13,053,483</b>	<b>\$ 16,552,921</b>	<b>\$ 29,294,794</b>	<b>\$ 26,267,145</b>

**CITY OF LAUREL, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2019**

**Table 2**

**Change in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 2,348,970	\$ 2,314,888	\$ 12,729,686	\$ 12,344,318	\$ 15,078,656	\$ 14,659,206
Operating grants and contributions	353,910	181,536	-	-	353,910	181,536
Capital grants and contributions	50,190	741,175	-	304,250	50,190	1,045,425
<b>Total program revenues</b>	<b>2,753,070</b>	<b>3,237,599</b>	<b>12,729,686</b>	<b>12,648,568</b>	<b>15,482,756</b>	<b>15,886,167</b>
General Revenues:						
Property taxes	6,924,750	5,768,716	-	-	6,924,750	5,768,716
Other taxes	11,493,575	11,120,932	-	-	11,493,575	11,120,932
Grants and contributions not restricted to specific programs	2,000,071	1,924,829	-	-	2,000,071	1,924,829
Other general revenues	2,169,920	1,684,091	585,063	114,915	2,754,983	1,799,006
<b>Total general revenues</b>	<b>22,588,316</b>	<b>20,498,568</b>	<b>585,063</b>	<b>114,915</b>	<b>23,173,379</b>	<b>20,613,483</b>
<b>Total revenues</b>	<b>25,341,386</b>	<b>23,736,167</b>	<b>13,314,749</b>	<b>12,763,483</b>	<b>38,656,135</b>	<b>36,499,650</b>
<b>PROGRAM EXPENSES</b>						
General government	5,501,307	5,610,075	-	-	5,501,307	5,610,075
Public safety	10,098,936	10,470,500	-	-	10,098,936	10,470,500
Public works	2,391,412	1,941,165	-	-	2,391,412	1,941,165
Health and welfare	447,580	192,916	-	-	447,580	192,916
Culture and recreation	2,435,207	2,032,153	-	-	2,435,207	2,032,153
Economic development	919,152	930,311	-	-	919,152	930,311
Water and sewer	-	-	13,080,107	11,635,252	13,080,107	11,635,252
Interest and fiscal charges	807,896	865,963	-	-	807,896	865,963
<b>Total program expenses</b>	<b>22,601,490</b>	<b>22,043,083</b>	<b>13,080,107</b>	<b>11,635,252</b>	<b>35,681,597</b>	<b>33,678,335</b>
<b>Increase in net position before transfers</b>	<b>2,739,896</b>	<b>1,693,084</b>	<b>234,642</b>	<b>1,128,231</b>	<b>2,974,538</b>	<b>2,821,315</b>
Transfers	3,734,080	105,000	(3,734,080)	(105,000)	-	-
<b>Increase in net position after transfers</b>	<b>6,473,976</b>	<b>1,798,084</b>	<b>(3,499,438)</b>	<b>1,023,231</b>	<b>2,974,538</b>	<b>2,821,315</b>
<b>Net Position - Beginning</b>	<b>9,714,224</b>	<b>8,287,294</b>	<b>16,552,921</b>	<b>15,529,690</b>	<b>26,267,145</b>	<b>23,816,984</b>
Prior Period Adjustment	53,111	(371,154)	-	-	53,111	(371,154)
<b>Net Position - Beginning, as Restated</b>	<b>9,767,335</b>	<b>7,916,140</b>	<b>16,552,921</b>	<b>15,529,690</b>	<b>26,320,256</b>	<b>23,445,830</b>
<b>Net Position - Ending</b>	<b>\$ 16,241,311</b>	<b>\$ 9,714,224</b>	<b>\$ 13,053,483</b>	<b>\$ 16,552,921</b>	<b>\$ 29,294,794</b>	<b>\$ 26,267,145</b>

## CITY OF LAUREL, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2019

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 \$6,527,087, including the effects of prior period adjustment of \$53,111 and the unrestricted net position of the City increased by \$653,559. By far the largest portion of the City's net position (94% for 2019 and 93% for 2018) 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.

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (12,491,512)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	30,378,876
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 17,887,364</u>

#### **Governmental Activities**

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City received \$9,223,747 in sales tax collections from the State of Mississippi, or 35% of general revenues; revenues from the collection of property taxes accounted for \$6,924,750, or 26% of general revenues. Franchise taxes collected from various entities located within the City accounted for \$1,927,697, or 7% of general revenues. Revenues received from charges for services and grants amounted to \$2,753,070.

Major expense activities, under the accrual basis of accounting, included Public Safety expenses accounting for \$10,098,936, or 45% of total program expenses. Culture & recreation accounted for \$2,435,207, or 1% of total program expenses. The City is committed to providing the basic services that our residents expect.

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

Business type activities decreased the City of Laurel, Mississippi's net position by \$3,499,438 in 2019. The substantial decrease is mainly due to operating transfers for capital improvements.

**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2019**

**The City's Funds**

Information about the City's major governmental funds begins on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,530,999 and expenditures of \$25,926,453.

The fund balance of the general fund increased by \$1,341,269, including a prior period adjust of \$51,183, while revenues exceeded expenditures by \$1,124,620.

**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 2019, 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.

**CITY OF LAUREL, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2019**

**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, Mississippi at September 30, 2019 and 2018.

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

	2019	2018
Land	\$ 887,520	\$ 887,520
Buildings and infrastructure	45,176,989	45,509,906
Furniture and equipment	3,411,890	3,354,495
Construction in progress	3,102,674	1,842,401
Total	<u>\$ 52,579,073</u>	<u>\$ 51,594,322</u>

Table 3b represents a summary of major classes of capital assets net of depreciation for the business-type activities of the City of Laurel, Mississippi at September 30, 2019 and 2018.

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

	2019	2018
Buildings and infrastructure	\$ 20,910,350	\$ 22,214,646
Furniture and equipment	1,753,025	1,518,101
Construction in progress	4,761,041	1,981,176
Total	<u>\$ 27,424,416</u>	<u>\$ 25,713,923</u>

The primary in capital assets is due to construction in progress.

Additional information of the City's capital assets can be found in Note 6 on pages 45-47 of this report.

***General Long-Term Obligations***

At September 30, 2019, the City of Laurel, Mississippi had \$52,041,012 in outstanding general obligation bonds payable and notes payable. The City's long-term debt at September 30, 2018 was \$53,267,956. 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, 2019**

	<b>2019</b>	<b>2018</b>
<b>General Bonded Debt</b>		
General Obligation Bonds	\$ 16,805,000	\$ 18,355,000
CAP Loans Payable	3,645,252	4,025,489
MS Development Bank Bonded Debt	1,400,000	1,865,000
Notes payable	1,732,734	2,089,407
Capital leases	1,264,399	1,300,383
Energy efficiency lease	2,667,134	2,742,668
Subtotal General Bonded Debt	<u>27,514,519</u>	<u>30,377,947</u>
<b>Revenue Bonds</b>		
Water and Sewer General Obligation Bonds	8,120,000	5,505,000
Water and Sewer Revenue Bonds	2,500,000	2,655,000
CAP Loans Payable	91,648	121,602
General Obligation Notes - State Revolving Loan Fund	12,900,064	13,893,243
Notes payable	47,512	52,989
Capital leases	571,023	343,114
Subtotal Revenue Bonds	<u>24,230,247</u>	<u>22,570,948</u>
<b>Compensated Absences</b>	<u>296,246</u>	<u>319,061</u>
<b>Total Long-Term Obligations</b>	<u><u>\$ 52,041,012</u></u>	<u><u>\$ 53,267,956</u></u>

Additional information of the City's long-term debt can be found in Note 7 on pages 48-55 of this report.

**Current Issues**

In Fiscal Year 2019, the City of Laurel had several projects underway, including street improvements, water and sewer projects and recreation improvements. The City of Laurel also received and administered several grant programs. Laurel has always encouraged our business community and has developed a strong support network for new businesses. Applications for one hundred fifteen new business licenses were completed in FY 2019.

The City of Laurel's total sales tax diversion for 2018 was \$9,177,031; an increase of 3.7% over last year in which we collected \$8,838,716. Out of over 345 municipalities reporting sales tax on a monthly basis, Laurel is in the top 15 cities in sales tax collections each month. Sales tax collection is important to Laurel since it makes up about 53% of our General Fund budget.

In FY 2018, a twenty-year lease/contract for \$2,778,948.97 was entered into with Schneider Electric for various improvements in the City's buildings, electrical, lighting, and telephone systems. In November 2019, the City refunded this loan in the amount of \$2,662,857, saving the City \$176,105.69 over the life of the bond.



## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2019**

The City financed the following equipment for the public utility department: two dump trucks, a mini-excavator, and a backhoe in the amount of \$258,686.81 on a 5-year lease/ purchase agreement.

#### **Street Improvements**

In February 2013, the City of Laurel issued a \$3 million General Obligation bond to finance street projects within the city limits. All of the projects have been completed except for the Leontyne Price Corridor project. Around \$1 million is being used as a match toward a \$5.0 million total investment. Plans for the Leontyne Price Boulevard include completely reconstructing the street and improving existing sidewalks. This exit is a major business corridor, connecting Interstate 59 to downtown Laurel and Sawmill Square Mall. Our engineering firm is in the design phase of this project, the right-of-way has been obtained, and now the utility relocation has begun.

In December of 2015, the City of Laurel issued a GO bond in the amount of \$10 million for street repair and reconstruction. The citizens of Laurel recognized 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. All of the street overlay work has been completed, except for the paving along 5th Avenue and 13th Avenue (refer to next paragraph).

Another project that is currently underway are utility improvements along 5th Avenue and 13th Avenue and scheduled to be completed in Spring of 2020. The funding sources for this major project are: 1) a revenue bond for \$4 million, 2) an Army Corps of Engineers grant, and 3) a State of Mississippi allocation. The total cost of replacing these water/sewer lines is \$5.5 million. After the water/sewer lines are replaced then the paving of 5th Avenue and 13th Avenue can begin. This project is estimated at \$2 million to be paid from the aforementioned \$10 million bond issue. This project will include milling, asphalt overlay and drainage improvements.

In FY 2019, the City issued a new \$3 million drainage bond. The majority of the proceeds of this drainage bond will be used to complete some necessary drainage work along 5th and 13th Avenues.

MDOT awarded the City a grant in the amount of \$868,740.00 which will include the removal of flagpole, realignment of roundabout, constructing raised center island, removal of brick pavers and pedestrian and drainage improvements along Central Avenue, which is the major street in our downtown area.

#### **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 \$4,091,009. Mainly because of the high amount of water/sewer projects completed this past year within this fund, the water and sewer rates were increased by 3% beginning in March 2019.

At the end of the FY 2018, the City received notice that we had been awarded a CDBG Water System Improvements. This project will include water tank rehabilitation at Water Plants 2 and 3 and the replacement of aerators at Water Plants 2 & 3. It is currently in the design phase of construction. This project is estimated at \$1.2 million, half from CDBG and the other half from the public utility fund.

**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2019**

Police Department

The City received and administered a grant called the Victims Advocate Grant from the U.S. Department of Justice in the amount of \$33,932.40. The purpose of this grant is to hire an advocate for the victims in domestic violence related cases. The department also received a mosquito control grant in the amount of \$51,440.00.

Fire Department

The Laurel Fire Department received a \$73,958.00 grant from FEMA which was used to train firefighters in hazardous materials training (haz/mat) and also to purchase related haz/mat equipment. Another purpose of the grant was for overtime for the firefighters who have to fill in for those firefighters who were attending haz/mat training.

Recreation Department

In FY 2019, the City received a grant from Americorp in the amount of \$178,724.45. The purpose of this grant was to hire forty individuals to work within the recreation department and which will provide job-related skills and also an education stipend to these individuals.

In 1996 and 1998, the City of Laurel issued two General Obligation Bonds to build a sportsplex and a natatorium for our citizens to use and also to attract tourists to our city. These two bonds are repaid through a specially levied two-cent sales tax on restaurants and hotels within our city. Over the years both bonds have been refinanced 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. Permits from the Army Corps of Engineers have been obtained and the City is working with MDEQ on construction testing requirements.

Conclusion

The City of Laurel 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 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, 2019**

**EXHIBIT A**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,595,826	\$ 2,118,987	\$ 9,714,813
Short-term investments	18,031,986	8,468,909	26,500,895
Accounts receivable	22,797,413	2,766,267	25,563,680
Allowance for uncollectibles	(20,048,010)	(1,443,321)	(21,491,331)
Due from other funds	-	3,206,303	3,206,303
Due from other governments	1,861,307	-	1,861,307
Inventory	11,034	-	11,034
Prepaid assets	53,937	3,342	57,279
Capital assets, net	52,579,073	27,424,416	80,003,489
<b>Total Assets</b>	<b>82,882,566</b>	<b>42,544,903</b>	<b>125,427,469</b>
<b>DEFERED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to bond issuance	17,440	-	17,440
Deferred outflows related to pensions	861,633	57,333	918,966
<b>Total Deferred Outflows</b>	<b>879,073</b>	<b>57,333</b>	<b>936,406</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,394,590	532,051	1,926,641
Bank overdraft	4,974,097	1,445,769	6,419,866
Accrued interest	163,198	54,386	217,584
Customer deposits	1,000	691,623	692,623
Due to other funds	2,452,440	863,933	3,316,373
Due to other governments	855,536	-	855,536
Long-term liabilities (Due within one year)			
Capital related liabilities	2,500,342	1,892,397	4,392,739
Long-term liabilities (Due beyond one year)			
Capital related liabilities	25,014,177	22,337,850	47,352,027
Non-capital related liabilities	275,755	20,491	296,246
Net pension liability	28,745,662	1,633,214	30,378,876
<b>Total Liabilities</b>	<b>66,376,797</b>	<b>29,471,714</b>	<b>95,848,511</b>
<b>DEFERED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	1,143,531	77,039	1,220,570
<b>NET POSITION</b>			
Investment in capital assets (net of related debt)	25,064,554	3,194,169	28,258,723
Restricted for:			
Capital improvements	12,864,062	-	12,864,062
Debt service	1,334,700	-	1,334,700
Unemployment benefits	84,356	-	84,356
Unrestricted	(23,106,361)	9,859,314	(13,247,047)
<b>Total Net Position</b>	<b>\$ 16,241,311</b>	<b>\$ 13,053,483</b>	<b>\$ 29,294,794</b>

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

**CITY OF LAUREL, MISSISSIPPI**

**Statement of Activities  
Year Ended September 30, 2019**

**EXHIBIT B**

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL:</b>							
General government	\$ 5,501,307	\$ -	222,154	\$ -	\$ (5,279,153)	\$ -	\$ (5,279,153)
Public safety	10,098,936	1,339,333	80,316	-	(8,679,287)	-	(8,679,287)
Public works	2,391,412	211,363	-	50,190	(2,129,859)	-	(2,129,859)
Health & welfare	447,580	-	-	-	(447,580)	-	(447,580)
Culture & recreation	2,435,207	798,274	51,440	-	(1,585,493)	-	(1,585,493)
Economic development	919,152	-	-	-	(919,152)	-	(919,152)
Interest	807,896	-	-	-	(807,896)	-	(807,896)
Total governmental activities	22,601,490	2,348,970	353,910	50,190	(19,848,420)	-	(19,848,420)
<b>BUSINESS-TYPE:</b>							
Water & sewer	13,080,107	12,729,666	-	-	-	(350,421)	(350,421)
Total business-type activities	13,080,107	12,729,666	-	-	-	(350,421)	(350,421)
<b>Total primary government</b>	<b>\$ 35,681,597</b>	<b>\$ 15,078,656</b>	<b>\$ 353,910</b>	<b>\$ 50,190</b>	<b>(19,848,420)</b>	<b>(350,421)</b>	<b>(20,198,841)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					4,514,972	-	4,514,972
Property taxes, levied for debt service					2,409,778	-	2,409,778
Sales taxes					9,223,747	-	9,223,747
Franchise taxes					1,927,697	-	1,927,697
Homestead exemption					243,477	-	243,477
Gas and oil severance tax					13,340	-	13,340
Payments in lieu of taxes					53,632	-	53,632
Grants and contributions not restricted to specific programs					2,000,071	-	2,000,071
Unrestricted investment earnings					728,958	466,065	1,195,023
Unrealized gain (loss) on investments					(137,488)	(50,580)	(188,068)
Other local sources					970,217	175,392	1,145,609
Rents and royalties					142,818	-	142,818
Gain/loss on sale of assets					(88,045)	(14,956)	(103,001)
Other revenues					585,142	9,142	594,284
Transfers, net					3,734,080	(3,734,080)	-
Total general revenues and transfers					26,322,396	(3,149,017)	23,173,379
<b>CHANGE IN NET POSITION</b>					<b>6,473,976</b>	<b>(3,499,438)</b>	<b>2,974,538</b>
<b>NET POSITION - BEGINNING</b>					<b>9,714,224</b>	<b>16,552,921</b>	<b>26,267,145</b>
Prior Period Adjustment					53,111	-	53,111
<b>NET POSITION - BEGINNING, AS RESTATED</b>					<b>9,767,335</b>	<b>16,552,921</b>	<b>26,320,256</b>
<b>NET POSITION - ENDING</b>					<b>\$ 16,241,311</b>	<b>\$ 13,053,483</b>	<b>\$ 29,294,794</b>

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

CITY OF LAUREL, MISSISSIPPI

Balance Sheet  
Governmental Funds  
September 30, 2019

	Major Funds					
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Capital Improvements Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,823,937	\$ 430,623	\$ 838,548	\$ 173,169	\$ 133,563	\$ 891,180
Investments	1,779,001	-	262,396	-	-	354,826
Accounts receivable	22,797,413	-	-	-	-	-
Allowance for uncollectibles	(20,048,010)	-	-	-	-	-
Due from other funds	308,826	-	82,122	19,908	-	80,263
Due from other governments	1,502,298	6,550	17,498	146,437	146,437	-
Inventory	11,034	-	-	-	-	-
Prepaid items	49,640	4,297	-	-	-	-
<b>Total assets</b>	<b>\$ 8,224,139</b>	<b>\$ 441,470</b>	<b>\$ 1,200,564</b>	<b>\$ 339,514</b>	<b>\$ 280,000</b>	<b>\$ 1,326,269</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 603,965	\$ 116,518	\$ -	\$ -	\$ 164,422	\$ -
Bank overdraft	-	-	-	-	-	-
Due to other funds	1,281,176	-	135,350	2,500	19,908	1,220,697
Due to other governments	855,536	-	-	-	-	-
Customer deposits	1,000	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,741,677</b>	<b>116,518</b>	<b>135,350</b>	<b>2,500</b>	<b>184,330</b>	<b>1,220,697</b>
Fund Balances:						
Nonspendable:						
Inventory	11,034	-	-	-	-	-
Prepaid items	49,640	4,297	-	-	-	-
Restricted:						
Debt service	-	-	1,065,214	337,014	95,670	-
Capital projects	-	-	-	-	-	105,572
Unemployment benefits	-	-	-	-	-	-
Assigned:						
Recreational purposes	-	320,655	-	-	-	-
Public safety and awareness	-	-	-	-	-	-
Unassigned:	5,421,788	-	-	-	-	-
<b>Total Fund Balance</b>	<b>5,482,462</b>	<b>324,952</b>	<b>1,065,214</b>	<b>337,014</b>	<b>95,670</b>	<b>105,572</b>
<b>Total liabilities &amp; fund balance</b>	<b>\$ 8,224,139</b>	<b>\$ 441,470</b>	<b>\$ 1,200,564</b>	<b>\$ 339,514</b>	<b>\$ 280,000</b>	<b>\$ 1,326,269</b>

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

## CITY OF LAUREL, MISSISSIPPI

Balance Sheet  
 Governmental Funds  
 September 30, 2019

	Major Funds				EXHIBIT C
	Street Improvement Fund	2019 Drainage Bond Fund	Recreation Improvement Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 362,506	\$ -	\$ 2,942,300	\$ 7,595,826
Investments	8,866,736	2,498,299	4,270,728	-	18,031,986
Accounts receivable	-	-	-	-	22,797,413
Allowance for uncollectibles	-	-	-	-	(20,048,010)
Due from other funds	21,748	-	2,500	192,896	708,263
Due from other governments	-	-	-	42,087	1,861,307
Inventory	-	-	-	-	11,034
Prepaid items	-	-	-	-	53,937
<b>Total assets</b>	<b>\$ 8,888,484</b>	<b>\$ 2,860,805</b>	<b>\$ 4,273,228</b>	<b>\$ 3,177,283</b>	<b>\$ 31,011,756</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 252,663	\$ 228,839	\$ 5,000	\$ 23,183	\$ 1,394,590
Bank overdraft	4,667,140	-	306,957	-	4,974,097
Due to other funds	-	-	-	501,072	3,160,703
Due to other governments	-	-	-	-	855,536
Customer deposits	-	-	-	-	1,000
<b>Total Liabilities</b>	<b>4,919,803</b>	<b>228,839</b>	<b>311,957</b>	<b>524,255</b>	<b>10,385,926</b>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	-	11,034
Prepaid items	-	-	-	-	53,937
Restricted:					
Debt service	-	-	-	-	1,497,898
Capital projects	3,968,681	2,631,966	3,961,271	2,196,572	12,864,062
Unemployment benefits	-	-	-	84,356	84,356
Assigned:					
Recreational purposes	-	-	-	-	320,655
Public safety and awareness	-	-	-	372,100	372,100
Unassigned:	-	-	-	-	5,421,788
<b>Total Fund Balance</b>	<b>3,968,681</b>	<b>2,631,966</b>	<b>3,961,271</b>	<b>2,653,028</b>	<b>20,625,830</b>
<b>Total liabilities &amp; fund balance</b>	<b>\$ 8,888,484</b>	<b>\$ 2,860,805</b>	<b>\$ 4,273,228</b>	<b>\$ 3,177,283</b>	<b>\$ 31,011,756</b>

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, 2019**

**EXHIBIT C-1**

Total fund balances for governmental funds (Exhibit C) \$ 20,625,830

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	3,102,674	
Buildings and infrastructure	72,704,082	
Furniture and mobile equipment	9,232,409	
Accumulated Depreciation	<u>(33,347,612)</u>	52,579,073

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	(16,805,000)	
Notes payable	(6,777,986)	
Capital leases	(1,264,399)	
Energy efficiency lease	(2,667,134)	
Compensated Absences	(275,755)	
Accrued interest payable	<u>(163,198)</u>	(27,953,472)

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>(28,745,662)</u>	(28,745,662)
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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 related to bond issuance	17,440	
Deferred outflows of resources related to pensions	861,633	
Deferred inflows of resources related to pensions	<u>(1,143,531)</u>	<u>(264,458)</u>

Total net position of governmental activities (Exhibit A) \$ 16,241,311

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, 2019

	Major Funds					
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Capital Improvements Fund
<b>REVENUES</b>						
General property taxes:						
Current	\$ 3,006,061	\$ 844,467	\$ 2,303,595	\$ -	\$ -	\$ -
Delinquent	16,346	3,179	7,933	-	-	-
Penalties and interest on delinquent taxes	21,886	6,190	16,670	-	-	-
Homestead exemption	106,669	30,179	81,580	-	-	-
Licenses and permits	211,363	-	-	-	-	-
Franchise taxes on utilities	1,927,697	-	-	-	-	-
Intergovernmental revenue	53,632	-	-	-	-	-
Gas & oil severance tax	13,340	-	-	-	-	-
State shared revenues	96,344	-	-	897,151	897,151	-
Federal grants	69,359	-	-	-	-	17,191
Local revenues	970,217	-	-	-	-	-
General sales taxes	9,223,747	-	-	-	-	-
Charges for services	541,955	256,319	-	-	-	-
Fines and forfeitures	1,232,454	-	-	-	-	-
Interest	99,050	-	6,134	-	-	32,425
Rents	142,818	-	518,959	-	-	-
Other revenues	10,762	1,000	-	-	-	-
Total revenues	17,743,700	1,141,334	2,934,871	897,151	897,151	49,616
<b>EXPENDITURES</b>						
General government	4,001,453	413,748	-	-	-	-
Public safety	9,356,212	-	-	-	-	-
Public works	1,393,828	-	-	-	-	-
Health & welfare	417,195	-	-	-	-	-
Culture & recreation	123,056	1,759,754	-	-	-	-
Economic Development and Assistance	754,730	-	-	-	164,422	-
Capital outlay	340,758	229,478	-	-	-	205,047
Debt service:						
Principal	188,086	-	2,244,312	90,000	377,500	-
Interest and fiscal charges	43,762	-	621,998	99,775	27,699	-
Total expenditures	16,619,080	2,402,980	2,866,310	189,775	569,621	205,047
Excess (deficiency) of revenues over expenditures	1,124,620	(1,261,646)	68,561	707,376	327,530	(155,431)
<b>OTHER FINANCING SOURCES (USES)</b>						
Unrealized gain (loss) on investments	34,772	-	3,016	-	-	(24,531)
Legal settlements	35,920	-	-	-	-	-
Loan proceeds	114,380	-	-	-	-	-
Sale of property	37,509	-	-	-	-	-
Operating transfers in	526,533	1,479,478	55,000	-	-	-
Operating transfers out	(583,648)	(101,225)	(533,670)	(650,000)	(320,000)	-
Total other financing sources (uses)	165,466	1,378,253	(475,654)	(650,000)	(320,000)	(24,531)
Net change in fund balances	1,290,086	116,607	(407,093)	57,376	7,530	(179,962)
<b>Fund balances</b>						
October 1, 2018, as previously reported	4,141,193	208,345	1,472,307	279,638	88,140	285,534
Prior period adjustments	51,183	-	-	-	-	-
Fund balances - beginning	4,192,376	208,345	1,472,307	279,638	88,140	285,534
Fund balances - ending	\$ 5,482,462	\$ 324,952	\$ 1,065,214	\$ 337,014	\$ 95,670	\$ 105,572

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, 2019**

	<b>Major Funds</b>				<b>EXHIBIT D</b>
	Street Improvement Fund	2019 Drainage Bond Fund	Recreation Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes:					
Current	\$ -	\$ -	\$ -	\$ 697,306	\$ 6,851,429
Delinquent	-	-	-	-	27,458
Penalties and interest on delinquent taxes	-	-	-	1,117	45,863
Homestead exemption	-	-	-	25,049	243,477
Licenses and permits	-	-	-	-	211,363
Franchise taxes on utilities	-	-	-	-	1,927,697
Intergovernmental revenue	-	-	-	-	53,632
Gas & oil severance tax	-	-	-	-	13,340
State shared revenues	-	-	-	109,425	2,000,071
Federal grants	-	-	-	317,551	404,101
Local revenues	-	-	-	-	970,217
General sales taxes	-	-	-	-	9,223,747
Charges for services	-	-	-	-	798,274
Fines and forfeitures	-	-	-	106,879	1,339,333
Interest	479,033	6,270	106,046	-	728,958
Rents	-	-	-	-	661,777
Other revenues	-	-	-	18,500	30,262
Total revenues	<u>479,033</u>	<u>6,270</u>	<u>106,046</u>	<u>1,275,827</u>	<u>25,530,999</u>
<b>EXPENDITURES</b>					
General government	-	-	-	-	4,415,201
Public safety	-	-	-	198,536	9,554,748
Public works	-	286,049	-	15,416	1,695,293
Health & welfare	-	-	-	4,229	421,424
Culture & recreation	-	-	-	307,764	2,190,574
Economic Development and Assistance	-	-	-	-	919,152
Capital outlay	1,810,217	-	273,238	94,299	2,953,037
Debt service:					
Principal	-	-	-	77,909	2,977,807
Interest and fiscal charges	-	-	-	5,983	799,217
Total expenditures	<u>1,810,217</u>	<u>286,049</u>	<u>273,238</u>	<u>704,136</u>	<u>25,926,453</u>
Excess (deficiency) of revenues over expenditures	<u>(1,331,184)</u>	<u>(279,779)</u>	<u>(167,192)</u>	<u>571,691</u>	<u>(395,454)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Unrealized gain (loss) on investments	(159,913)	(7,586)	16,754	-	(137,488)
Legal settlements	-	-	-	-	35,920
Loan proceeds	-	-	-	-	114,380
Sale of property	-	-	-	-	37,509
Operating transfers in	-	2,919,331	-	1,289,623	6,269,965
Operating transfers out	(175,000)	-	-	(172,341)	(2,535,884)
Total other financing sources (uses)	<u>(334,913)</u>	<u>2,911,745</u>	<u>16,754</u>	<u>1,117,282</u>	<u>3,784,402</u>
Net change in fund balances	<u>(1,666,097)</u>	<u>2,631,966</u>	<u>(150,438)</u>	<u>1,688,973</u>	<u>3,388,948</u>
<b>Fund balances</b>					
October 1, 2018, as previously reported	5,634,778	-	4,111,709	899,797	17,121,441
Prior period adjustments	-	-	-	64,258	115,441
Fund balances - beginning	<u>5,634,778</u>	<u>-</u>	<u>4,111,709</u>	<u>964,055</u>	<u>17,236,882</u>
Fund balances - ending	<u>\$ 3,968,681</u>	<u>\$ 2,631,966</u>	<u>\$ 3,961,271</u>	<u>\$ 2,653,028</u>	<u>\$ 20,625,830</u>

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, 2019**

**EXHIBIT D-1**

Net change in fund balances - total governmental funds (Exhibit D) \$ 3,388,948

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	3,718,271	
Net disposals	(125,554)	
Depreciation expense	<u>(2,545,636)</u>	1,047,081
  
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	(114,380)	
Payments of debt principal	2,977,807	
Accrued interest payable	7,054	
Change in issuance costs	<u>(15,733)</u>	2,854,748
  
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>9,535</u>	9,535
--------------------------------	--------------	-------
  
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.

Pension expense for the current period	(1,277,953)	
Contributions made subsequent to the measurement date	<u>451,617</u>	<u>(826,336)</u>

Change in net position of governmental activities (Exhibit B) \$ 6,473,976

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

**CITY OF LAUREL, MISSISSIPPI**

**Statement of Fiduciary Net Position  
September 30, 2019**

**EXHIBIT E**

	<u>State Assessment Agency Fund</u>	<u>Police &amp; Fire Retirement Trust Fund</u>	<u>Self-Insurance Trust Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 66,182	\$ 130,454	\$ 149,777
Investments	-	-	524,793
Due from other governments	23,088	6,058	-
Due from other funds	-	110,069	-
Total assets	<u>\$ 89,270</u>	<u>\$ 246,581</u>	<u>\$ 674,570</u>
<b>LIABILITIES</b>			
Hospitalization insurance	\$ -	\$ -	\$ 674,570
Due to other governments	37,267	246,581	-
Other liabilities	52,003	-	-
Total liabilities	<u>\$ 89,270</u>	<u>\$ 246,581</u>	<u>\$ 674,570</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, 2019

EXHIBIT F

	Police & Fire Retirement Trust Fund
<b>ADDITIONS</b>	
General property taxes: current	\$ 781,393
General property taxes: delinquent	2,943
Penalties & interest	5,728
Homestead exemption reimbursement	27,913
Total additions	<u>817,977</u>
<b>DEDUCTIONS</b>	
General government	
Transfers to PERS	817,977
Total deductions	<u>817,977</u>
<b>CHANGES IN NET POSITION</b>	<u>-</u>
<b>NET POSITION - BEGINNING</b>	-
<b>NET POSITION - ENDING</b>	<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, 2019**

EXHIBIT G

	Public Utility Bond	Public Utility	Solid Waste	Other Proprietary Funds	Total
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 92,102	\$ 17,033	\$ 370,389	\$ 1,639,463	\$ 2,118,987
Investments	2,534,599	5,934,310	-	-	8,468,909
Accounts receivable	-	2,361,443	375,592	29,232	2,766,267
Allowance for doubtful accounts	-	(1,185,455)	(257,866)	-	(1,443,321)
Due from other funds	-	1,297,643	618,162	1,290,498	3,206,303
Prepaid assets	-	-	3,342	-	3,342
Total current assets	2,626,701	8,424,974	1,109,619	2,959,193	15,120,487
<b>NON-CURRENT ASSETS</b>					
Capital assets:					
Buildings & infrastructure	-	82,338,312	-	-	82,338,312
Equipment	-	-	1,230,055	-	1,230,055
Construction in Progress	4,490,535	-	-	270,506	4,761,041
Less accumulated depreciation	-	(59,741,509)	(1,163,483)	-	(60,904,992)
Net non-current assets	4,490,535	22,596,803	66,572	270,506	27,424,416
<b>Total assets</b>	7,117,236	31,021,777	1,176,191	3,229,699	42,544,903
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	-	-	57,333	-	57,333
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	213,237	220,582	58,888	39,344	532,051
Bank overdraft	1,409,112	36,657	-	-	1,445,769
Accrued interest	-	54,386	-	-	54,386
Customer deposits	-	691,623	-	-	691,623
Due to other funds	150,023	24,811	21,242	667,857	863,933
G. O. bonds payable	-	570,000	-	-	570,000
Revenue bonds payable	140,000	-	-	-	140,000
Notes payable	-	1,182,397	-	-	1,182,397
Total current liabilities	1,912,372	2,780,456	80,130	707,201	5,480,159
<b>NON-CURRENT LIABILITIES</b>					
Compensated absences payable	-	-	20,491	-	20,491
G. O. bonds payable	-	6,315,000	-	-	6,315,000
Revenue bonds payable	3,595,000	-	-	-	3,595,000
Notes payable (net of current portion)	-	12,427,850	-	-	12,427,850
Net pension liability	-	-	1,633,214	-	1,633,214
Total non-current liabilities	3,595,000	18,742,850	1,653,705	-	23,991,555
Total liabilities	5,507,372	21,523,306	1,733,835	707,201	29,471,714
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	-	-	77,039	-	77,039
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	755,535	2,101,556	66,572	270,506	3,194,169
Unrestricted	854,329	7,396,915	(643,922)	2,251,992	9,859,314
Total net position	1,609,864	9,498,471	(577,350)	2,522,498	13,053,483
<b>Total liabilities and net position</b>	\$ 7,117,236	\$ 31,021,777	\$ 1,233,524	\$ 3,229,699	\$ 42,602,236

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, 2019**

**EXHIBIT H**

	Public Utility Bond	Public Utility	Solid Waste	Other Proprietary Funds	Total
<b>OPERATING REVENUES</b>					
Water sales	\$ -	\$ 4,774,978	\$ -	\$ -	\$ 4,774,978
Sewer fees and surcharges	-	6,218,401	-	-	6,218,401
Water and sewer connections	-	78,503	-	-	78,503
Sanitation charges	-	-	1,574,421	-	1,574,421
Other charges	-	83,383	-	-	83,383
Total operating revenues	-	11,155,265	1,574,421	-	12,729,686
<b>OPERATING EXPENSES</b>					
Contract Services:					
Supplies	-	1,085,851	-	-	1,085,851
Services and charges	-	5,496,021	-	-	5,496,021
Depreciation	-	1,706,045	-	-	1,706,045
Total contracting services	-	8,287,917	-	-	8,287,917
Finance:					
Personnel services	-	302,625	-	-	302,625
Supplies	-	182,869	-	-	182,869
Services and charges	-	979,267	-	-	979,267
Total finance	-	1,464,761	-	-	1,464,761
Public Works:					
Personnel services	-	-	1,324,260	-	1,324,260
Supplies	-	-	213,135	770,750	983,885
Services and charges	-	-	361,892	-	361,892
Depreciation	-	-	84,864	-	84,864
Total public works	-	-	1,984,151	770,750	2,754,901
Total operating expenses	-	9,752,678	1,984,151	770,750	12,507,579
Operating income	-	1,402,587	(409,730)	(770,750)	222,107
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest revenue	144,345	321,720	-	-	466,065
Legal settlements	-	9,142	-	-	9,142
Other non-operating revenues	-	-	-	175,392	175,392
Sale of property	-	(3,382)	(11,574)	-	(14,956)
Transfers in	135,000	481,962	-	1,499,600	2,116,562
Transfers out	-	(5,368,680)	-	(481,962)	(5,850,642)
Unrealized gain (loss) on investments	(40,109)	(10,471)	-	-	(50,580)
Interest and fiscal charges	-	(572,528)	-	-	(572,528)
Total non-operating revenues (expenses)	239,236	(5,142,237)	(11,574)	1,193,030	(3,721,545)
Change in net position	239,236	(3,739,650)	(421,304)	422,280	(3,499,438)
Total net position- beginning	1,370,628	13,238,121	(156,046)	2,100,218	16,552,921
Total net position - ending	\$ 1,609,864	\$ 9,498,471	\$ (577,350)	\$ 2,522,498	\$ 13,053,483

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, 2019**

**EXHIBIT I**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 12,696,889
Cash paid to suppliers	(9,269,382)
Cash paid to employees	(1,210,783)
Net cash flows from operating activities	<u>2,216,724</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers from other funds	2,116,562
Transfers to other funds	(5,850,642)
Short-term interfund loans	(62,372)
Cash received from United Water contract	175,392
Other non operating revenue(expenses)	311,436
Net cash provided by noncapital financing activities	<u>(3,309,624)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal payments on long-term debt	(1,698,008)
Proceeds from issuance of long-term debt	3,357,307
Purchase of fixed assets	(3,516,358)
Interest paid on long-term debt	(569,029)
Net cash used by capital and related financing activities	<u>(2,426,088)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	466,065
Proceeds from the sale of investments	1,000,943
Purchases of investments	(1,611,365)
Net cash used by investing activities	<u>(144,357)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(3,663,345)</u>
<b>CASH AND CASH EQUIVALENTS - OCTOBER 1</b>	<u>4,336,563</u>
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 30</b>	<u>\$ 673,218</u>
<b>Cash and cash equivalents</b>	\$ 2,118,987
<b>Bank overdraft</b>	(1,445,769)
<b>Total Cash and Cash Equivalents</b>	<u>\$ 673,218</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
<b>OPERATING INCOME</b>	\$ 222,107
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Depreciation expense	1,790,909
(Increase) decrease in accounts receivables, net of allowances	(49,192)
(Increase) decrease in prepaid assets	(684)
Deferred outflows related to pensions	(23,177)
Increase (decrease) in accounts payable and other accrued liabilities	(178,913)
Increase (decrease) in customer deposits	16,395
Change in net pension liability	405,262
Deferred inflows related to pensions	34,017
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,216,724</u>
<b>NON CASH TRANSACTIONS</b>	
Unrealized gain (loss) on investments	<u>\$ (50,580)</u>

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

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2019**

#### ***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 is 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 results 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, 2019

#### **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 are 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. The general operating expenditures, including instructional, support and other costs are paid from the general fund.
- 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.
- 2019 Drainage Bond 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, 2019**

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

The City reports the following major proprietary funds:

- Public Utility Bonds Fund – 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, 2019

#### **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 taxes, 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 therefore 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, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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, 2019**

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

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

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

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

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

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

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

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

**D. Account Classifications.**

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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

***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 1<sup>st</sup>.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

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

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

**Due from other Governments**

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

**Inventories and prepaid items**

Inventory is valued at actual cost. The inventory in the General Fund consists of expendable supplies held for consumption. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**Capital assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, street lights, sewer and water lines, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 (see table below for detailed thresholds) and are reported at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are reported at estimated fair market value at the date of donation. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**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, 2019

#### ***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, 2019

#### **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, Mississippi is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2019, the City's combined tax rate for general governmental services and other municipal purposes was 112.46 mills or \$112.46 per \$1,000 of assessed valuation expressed as follows:

General Fund	17.04
Special Revenue Fund (Recreation)	4.82
Street Improvement Fund	4.00
Debt Service Fund	13.03
Firemen and Police Disability and Relief Fund	4.46
Laurel Municipal Separate School District	69.11
Total Mills	<u>112.46</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, 2019**

#### ***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, Cash with Fiscal Agents, 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, 2019**

***Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, 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 \$3,641,360, including cash equivalents of \$258,113. The bank balance was \$3,620,674.

**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, 2019, none of the City's bank balance of \$3,620,674 was exposed to custodial credit risk.

**Investments**

As of September 30, 2019, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Asset Backed Securities	More than 10 years	\$ 9,586,553
Mortgage Backed Securities	More than 10 years	2,161,588
Municipal Obligations	More than 6 years	2,514,279
Agency Obligations	More than 6 years	11,585,017
United States Government Obligations	Less than 1 year	1,178,251
Total		<u>\$ 27,025,688</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Cont.)**

The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**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.

**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, 2019, the City's investments in commercial paper were rated AA by Standard & Poor's. The City's investments in U.S. Government Obligations, Collateralized Mortgage Obligations, and Municipal Obligations were rated AA 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, 2019.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total Investment</u>	<u>Fair Value Hierarchy</u>
Asset Backed Securities	\$ 9,586,553	35.47%	Level 1
Mortgage Backed Securities	2,161,588	8.00%	Level 1
Municipal Obligations	2,514,279	9.30%	Level 1
Agency Obligations	11,585,017	42.87%	Level 1
United States Government Obligations	1,178,251	4.36%	Level 1
<b>Total</b>	<u><u>\$ 27,025,688</u></u>	<u><u>100.00%</u></u>	

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**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	\$ 22,280,202	\$ 20,048,010	\$ 2,232,192
Cemetery	15,185	-	15,185
Other	502,026	-	502,026
Total	<u>\$ 22,797,413</u>	<u>\$ 20,048,010</u>	<u>\$ 2,749,403</u>
Proprietary Funds			
Water and Sewer	\$ 2,361,443	\$ 1,185,455	\$ 1,175,988
Solid Waste	375,592	257,866	117,726
Other	29,232	-	29,232
Total	<u>\$ 2,766,267</u>	<u>\$ 1,443,321</u>	<u>\$ 1,322,946</u>

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

The following is a summary of interfund transactions and balances:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Recreation Fund	\$ 280,000
	Other Governmental Funds	303,648
Recreation Fund	Other Governmental Funds	101,225
Bond and Interest Retirement Fund	General Fund	304,192
	Recreation Fund	229,478
Tourism Bond 1996 Fund	Recreation Fund	650,000
Tourism Bond 1998 Fund	Recreation Fund	320,000
Street Improvement Bond Fund	Other Governmental Funds	175,000
Other Governmental Funds	General Fund	172,341
Public Utility Fund	General Fund	50,000
	Bond and Interest Retirement Fund	55,000
	2019 Drainage Bond	2,919,331
	Other Governmental Funds	709,750
	Public Utility Bonds Fund	135,000
	Other Proprietary Funds	1,499,600
Other Proprietary Funds	Public Utility Fund	481,962
Total		<u>\$ 8,386,527</u>

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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 308,826
Bond and Interest Retirement Fund	General Fund	82,122
Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	19,908
Capital Improvements Fund	General Fund	80,263
Street Improvement Fund	Other Governmental Funds	158
	Public Utility Bond Fund	21,590
Recreation Improvement Fund	Tourism Bond 1996 Fund	2,500
Other Governmental Funds	General Fund	6,827
	Capital Improvements Fund	44,391
	Other Governmental Funds	141,678
Public Utility	General Fund	454,829
	Bond and Interest Retirement Fund	25,281
	Public Utility Bond Fund	128,433
	Other Proprietary Fund	667,857
	Solid Waste Fund	21,242
Solid Waste	General Fund	593,351
	Public Utility Fund	24,811
Other Proprietary Funds	General Fund	63,784
	Capital Improvements Fund	1,176,306
	Other Governmental Funds	50,408
Fiduciary Fund	Bond and Interest Retirement Fund	110,069
		<u>\$4,024,634</u>

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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 5 – Capital Assets**

Capital asset activity in the governmental funds for the year ended September 30, 2019 was as follows:

Governmental activities:

	Balance 10/1/2018	Additions	Retirements	Completed Construction	Prior Period Adjustments	Balance 9/30/2019
<u>Non-depreciable capital assets:</u>						
Land	\$ 887,520	\$ -	\$ -	\$ -	\$ -	\$ 887,520
Construction in progress	1,842,401	2,382,801	-	(1,122,528)	-	3,102,674
Total non-depreciable capital assets	2,729,921	2,382,801	-	(1,122,528)	-	3,990,194
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	71,011,318	570,236	-	1,122,528	-	72,704,082
Furniture and mobile equipment	9,786,974	765,234	(1,255,541)	-	(64,258)	9,232,409
Total depreciable capital assets	80,798,292	1,335,470	(1,255,541)	1,122,528	(64,258)	81,936,491
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	25,501,412	2,025,681	-	-	-	27,527,093
Furniture and mobile equipment	6,432,479	519,955	(1,129,987)	-	(1,928)	5,820,519
Total accumulated depreciation	31,933,891	2,545,636	(1,129,987)	-	(1,928)	33,347,612
Total depreciable capital assets, net	48,864,401	(1,210,166)	(125,554)	1,122,528	(62,330)	48,588,879
Governmental activities capital assets, net	\$ 51,594,322	\$ 1,172,635	\$ (125,554)	\$ -	\$ (62,330)	\$ 52,579,073

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 6 – Capital Assets (Cont.)**

Capital asset activity in the proprietary funds for the year ended September 30, 2019 was as follows:

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Balance 9/30/2019</u>
<u>Non-depreciable capital assets:</u>					
Construction in progress	\$ 1,981,176	\$ 3,035,589	\$ -	\$ (255,724)	\$ 4,761,041
<u>Depreciable capital assets:</u>					
Buildings and Infrastructure	78,553,609	10,888	-	255,724	78,820,221
Furniture and mobile equipment	4,427,822	469,881	(149,556)	-	4,748,147
Total depreciable capital assets	<u>82,981,431</u>	<u>480,769</u>	<u>(149,556)</u>	<u>255,724</u>	<u>83,568,368</u>
<u>Less accumulated depreciation for:</u>					
Buildings and Infrastructure	56,338,963	1,570,908	-	-	57,909,871
Furniture and mobile equipment	2,909,721	220,001	(134,600)	-	2,995,122
Total accumulated depreciation	<u>59,248,684</u>	<u>1,790,909</u>	<u>(134,600)</u>	<u>-</u>	<u>60,904,993</u>
Total depreciable capital assets, net	<u>23,732,747</u>	<u>(1,310,140)</u>	<u>(14,956)</u>	<u>255,724</u>	<u>22,663,375</u>
Proprietary activities capital assets, net	<u>\$ 25,713,923</u>	<u>\$ 1,725,449</u>	<u>\$ (14,956)</u>	<u>\$ -</u>	<u>\$ 27,424,416</u>



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 6 – Capital Assets (Cont.)**

Depreciation expense was charged to the following governmental functions:

General Government	\$ 1,200,267
Public Safety	400,220
Public Works	775,887
Health and Welfare	381
Culture and Recreation	168,881
	<u>\$ 2,545,636</u>

Depreciation expense charged to the Public Utility and Solid Waste Funds amounted to \$1,790,909 for the year ended September 30, 2019.

Commitments under construction contracts at September 30, 2019 are summarized as follows:

<u>Projects Under Contract</u>	<u>Amount Spent to Date</u>	<u>Required Future Financing</u>
<b><u>Governmental</u></b>		
Beacon Corridor	\$ 552,699	\$ 4,264,808
2019 Overlay Project	1,780,236	899,433
5th Avenue Roundabout	74,664	222,650
Skateboard Park	21,608	123,236
	<u>\$ 2,429,207</u>	<u>\$ 5,510,127</u>
<b><u>Proprietary</u></b>		
Utility Improvement	4,490,534	1,433,409
Bay Circle Water Project	127,358	22,547
Parker Drive Sewer Project	143,148	12,150
Total	<u>\$ 4,490,534</u>	<u>\$ 1,433,409</u>

# CITY OF LAUREL, MISSISSIPPI

## Notes to Financial Statements Year Ended September 30, 2019

### Note 7 – Long-term Liabilities

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

Debt Type				Amounts Due	
	Balance 10-1-2018	Additions	Reductions	Balance 9-30-2019	Within One Year
General Obligation Bonds	\$ 18,355,000	\$ -	\$ 1,550,000	\$ 16,805,000	\$ 1,250,000
Notes from Direct Borrowings	7,979,896	-	1,201,910	6,777,986	895,095
Obligations under Capital Lease	1,300,383	114,380	150,364	1,264,399	278,543
Obligations under Energy Efficiency Lease	2,742,668	-	75,534	2,667,134	76,704
Compensated Absences	285,290	-	9,535	275,755	-
Total	<u>\$ 30,663,237</u>	<u>\$ 114,380</u>	<u>\$ 2,987,343</u>	<u>\$ 27,790,274</u>	<u>\$ 2,500,342</u>

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

Debt Type				Amounts Due	
	Balance 10-1-2018	Additions	Reductions	Balance 9-30-2019	Within One Year
General Obligation Bonds	\$ 5,505,000	\$ 3,000,000	\$ 385,000	\$ 8,120,000	\$ 710,000
Revenue Bonds	2,655,000	-	155,000	2,500,000	160,000
Notes from Direct Borrowings	14,067,834	-	1,028,610	13,039,224	1,047,850
Obligations under Capital Lease	343,114	357,307	129,398	571,023	134,547
Compensated Absences	22,019	-	1,528	20,491	-
Total	<u>\$ 22,592,967</u>	<u>\$ 3,357,307</u>	<u>\$ 1,699,536</u>	<u>\$ 24,250,738</u>	<u>\$ 2,052,397</u>

The annual requirements to amortize bond, note principal, and capital leases outstanding for all funds as of September 30, 2019, are as follows:

Year Ended September 30	GO/Revenue Bonds	Interest	Notes Payable	Interest	Capital Leases	Interest	Energy Efficiency Lease	Interest
2020	\$ 1,960,000	\$ 673,550	\$ 1,942,945	\$ 404,565	\$ 413,090	\$ 50,310	\$ 76,704	\$ 96,191
2021	1,840,000	617,793	1,962,022	372,081	497,969	38,953	83,019	93,429
2022	2,280,000	571,353	1,877,450	329,383	206,265	27,007	89,669	90,440
2023	2,305,000	518,730	1,883,480	303,750	212,613	20,660	96,667	87,212
2024	2,220,000	465,738	1,727,906	245,712	56,487	15,128	104,030	83,732
2025-2029	10,575,000	1,579,231	6,549,762	698,868	233,894	54,265	644,564	359,691
2030-2034	5,400,000	387,890	3,413,277	183,299	215,104	15,423	893,766	223,603
2035-2037	845,500	55,400	460,368	6,465	-	-	678,715	50,192
	<u>\$ 27,425,500</u>	<u>\$ 4,869,685</u>	<u>\$ 19,817,210</u>	<u>\$ 2,544,123</u>	<u>\$ 1,835,422</u>	<u>\$ 221,746</u>	<u>\$ 2,667,134</u>	<u>\$ 1,084,490</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 7 – 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%	\$ 16,805,000
Proprietary	1.0-3.0%	10,620,000
Total General Obligation Bonds		<u>\$ 27,425,000</u>

<u>Year Ended September 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,250,000	\$ 388,150	\$ 710,000	\$ 285,400
2021	1,110,000	354,969	730,000	262,824
2022	1,520,000	327,387	760,000	243,966
2023	1,510,000	294,958	795,000	223,772
2024	1,405,000	263,364	815,000	202,374
2025-2029	7,220,000	818,893	3,355,000	760,338
2030-2034	2,790,000	86,409	2,610,000	301,481
2035-2037	-	-	845,000	55,400
	<u>\$16,805,000</u>	<u>\$ 2,534,130</u>	<u>\$ 10,620,000</u>	<u>\$2,335,555</u>

All outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment. Furthermore, the lender may intercept the delinquent amount, plus ten percent annual penalty interest on the amount due from any unobligated funds due to the City under any revenue or tax sharing fund established by the State.

# CITY OF LAUREL, MISSISSIPPI

## Notes to Financial Statements Year Ended September 30, 2019

### Note 7 – Long-term Liabilities (Cont.)

#### B. Notes from Direct Borrowings 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
Date of Note	9/30/2008	9/30/2008	6/1/2011	9/30/2011	8/1/2013
Original Amount	\$ 2,000,000	\$ 3,000,000	\$ 250,477	\$ 972,675	\$ 259,306
Unpaid Principal	\$ 1,044,211	\$ 1,565,870	\$ 34,851	\$ 675,961	\$ 105,978
Interest Rate	3.00%	3.00%	3.00%	3.00%	2.00%

	CAP Loan	CAP Loan	Consolidated Loan	SMPDD	SMPDD
Date of Note	11/1/2013	6/1/2017	6/1/2009	3/9/2016	3/1/2017
Original Amount	\$ 250,000	\$ 120,000	\$ 2,790,000	\$ 175,000	\$ 185,000
Unpaid Principal	\$ 108,417	\$ 109,964	\$ 1,400,000	\$ 128,241	\$ 145,154
Interest Rate	2.00%	3.00%	3.50%	3.25%	3.50%

	Community Bank	Jones County Public Safety Communication Equipment	The First
Date of Note	10/6/2015	10/1/2015	10/13/2017
Original Amount	\$ 500,000	\$ 923,986	\$ 750,000
Unpaid Principal	\$ 215,879	\$ 643,460	\$ 600,000
Interest Rate	1.45%	3.87%	1.90%

All outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment. Furthermore, the lender may intercept the delinquent amount, plus ten percent annual penalty interest on the amount due from any unobligated funds due to the City under any revenue or tax sharing fund established by the State.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 7 – Long-term Liabilities (Cont.)**

The annual requirements of the notes payable on note principal outstanding for governmental funds as of September 30, 2019, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 895,095	\$ 175,091	\$ 1,070,186
2021	894,699	162,067	1,056,766
2022	795,163	139,177	934,340
2023	810,022	133,477	943,499
2024	634,880	95,007	729,887
2025-2029	2,518,600	188,359	2,706,959
2030-2034	208,718	9,476	218,194
2035-2037	20,809	913	21,722
Total	<u>\$ 6,777,986</u>	<u>\$ 903,567</u>	<u>\$ 7,681,553</u>

**C. Notes from Direct Borrowings 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.

	<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	\$ 635,378	\$ 1,513,679	\$ 558,518	\$ 2,690,941	\$ 4,266,885	\$ 3,234,663
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 has pledged its share of general sales tax collected by the State of Mississippi (the State) to secure its notes payable to the State for the following notes for various public improvements and utility improvement projects. The City received general sales tax revenue totaling \$9,255,429 for the current year and made principal and interest payments on the notes payable to the state totaling \$1,236,203 during the current year. As of September 30, 2019, the future principal and interest requirements for the notes payable totaled \$14,527,694 and the maturity dates of the note payables extend through September 30, 2036.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 7 – Long-term Liabilities (Cont.)**

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:

	CAP Loan			Jones County Public Safety Communication Equipment	
Date of Note	9/2/2002		Date of Note	10/1/2015	
Original Amount	\$	500,000	Original Amount	\$	68,226
Unpaid Principal	\$	91,648	Unpaid Principal	\$	47,512
Monthly Installment	\$	2,773	Yearly Installment	\$	13,388
Interest Rate		1.75%	Interest Rate		3.87%

All outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment. Furthermore, the lender may intercept the delinquent amount, plus ten percent annual penalty interest on the amount due from any unobligated funds due to the City under any revenue or tax sharing fund established by the State.

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2019, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,047,850	\$ 229,474	\$ 1,277,307
2021	1,067,323	210,014	1,277,316
2022	1,082,287	190,206	1,277,324
2023	1,073,458	170,273	1,277,337
2024	1,093,026	150,705	1,272,493
2025-2029	4,031,163	510,509	5,340,591
2030-2034	3,204,559	173,823	3,973,069
2035-2036	439,558	5,552	1,538,771
Total	<u>\$ 13,039,224</u>	<u>\$ 1,640,556</u>	<u>\$ 17,234,208</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 7 – Long-term Liabilities (Cont.)**

**D. Obligations Under Capital Leases- Governmental**

Debt current outstanding in the Governmental Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2016 Saber Chassis Fire Truck	2.11%	9/30/2016	9/30/2021	\$ 492,934	\$ 348,182
2017 Eligin Street Sweeper	2.39%	6/23/2017	7/31/2020	264,672	168,633
Ferrara Fire Apparatus/Chassis	3.13%	8/22/2018	8/23/2033	685,704	649,252
Kubota Tractor	3.11%	12/18/2018	12/18/2023	114,380	98,333
Total				<u>\$ 1,557,690</u>	<u>\$ 1,264,400</u>

The annual requirements of the capital leases outstanding for the governmental funds as of September 30, 2019, are as follows:

Year Ended September 30	Principal	Interest	Total
2020	\$ 278,543	\$ 33,950	\$ 1,277,307
2021	359,329	26,686	1,277,316
2022	63,407	18,957	1,277,324
2023	65,408	16,957	1,277,337
2024	48,714	15,056	1,272,493
2025-2029	233,894	54,265	5,340,591
2030-2034	215,105	15,423	3,973,069
Total	<u>\$ 1,264,400</u>	<u>\$ 181,294</u>	<u>\$ 15,695,437</u>

The City's outstanding debt from obligations under capital lease is secured by equipment. The obligations under capital lease contain an event of default all lease payments due will become due immediately and the Lessor may demand to take possession of the Equipment.

The assets recorded under capital leases as of September 30, 2019 were as follows:

	Governmental Activities
Machinery and equipment	\$ 1,557,690
Less: accumulated depreciation	(274,071)
Total	<u>\$ 1,283,619</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 7 – Long-term Liabilities (Cont.)**

**D. Obligations Under Capital Leases- Proprietary Activities**

Debt current outstanding in the Proprietary Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Vacuum Truck	3.07%	9/21/2018	9/21/2023	\$ 343,114	\$ 278,608
Backhoe/Excavator	3.11%	12/18/2018	12/18/2023	144,307	124,065
Dump Truck	2.88%	6/5/2019	7/5/2023	213,000	168,350
Total				<u>\$ 700,421</u>	<u>\$ 571,023</u>

The annual requirements of the capital leases outstanding for the proprietary funds as of September 30, 2019, are as follows:

Year Ended September 30	Principal	Interest	Total
2020	\$ 134,547	\$ 16,361	\$ 150,908
2021	138,640	12,267	138,640
2022	142,858	8,050	142,858
2023	147,205	3,703	147,205
2024	7,773	40	7,813
Total	<u>\$ 571,023</u>	<u>\$ 40,421</u>	<u>\$ 587,424</u>

The City's outstanding debt from obligations under capital lease is secured by equipment. The obligations under capital lease contain an event of default all lease payments due will become due immediately and the Lessor may demand to take possession of the Equipment.

The assets recorded under capital leases as of September 30, 2019 were as follows:

	Proprietary Activities
Machinery and equipment	\$ 357,307
Less: accumulated depreciation	(25,871)
Total	<u>\$ 331,436</u>



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 7 – Long-term Liabilities (Cont.)**

**E. Obligations Under Energy Efficiency Lease- Governmental**

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Energy Conservation	3.60%	8/30/2017	8/30/2037	\$ 2,807,687	\$ 2,667,134
Total				<u>\$ 2,807,687</u>	<u>\$ 2,667,134</u>

Year ended September 30	Principal	Interest	Total
2020	\$ 76,704	\$ 96,191	\$ 172,895
2021	83,019	93,429	176,448
2022	89,669	90,440	180,109
2023	96,667	87,212	183,879
2024	104,030	83,732	187,762
2025-2029	644,564	356,691	1,001,255
2030-2034	893,766	223,603	1,117,369
2035-2037	678,715	50,192	728,907
Total	<u>\$ 2,667,134</u>	<u>\$ 1,081,490</u>	<u>\$ 3,748,624</u>

An energy efficiency lease agreement dated March 29, 2018, was executed by and between the district, the lessee, and Schneider Electric Buildings Americas, Inc., the lessor.

The agreement authorized the borrowing of \$3,000,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Bond and Interest Retirement Fund and not exceed twenty (20) years.

The City entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2019**

#### ***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, Mississippi 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 2019, 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, 2019, 2018 and 2015 were \$924,772, \$719,601 and \$1,107,949 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, 2019, PERS members are required to contribute 9.0% of their annual covered salary, and the City of Laurel, Mississippi is required to contribute at an actuarially determined rate. The rate for fiscal year ended September 30, 2019, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$1,539,056, \$1,430,801 and \$1,446,082, 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, 2019, the City reported a liability of \$30,378,876 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, The City's proportion was .143713 percent.

For the year ended September 30, 2019, the City recognized pension expense of \$2,773,393.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 8 - Defined Benefit Pension Plan (Cont.)**

At September 30, 2019, 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	\$ 13,852	\$ 957	\$ -	\$ 14,809
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in assumptions	231,850	16,012	-	247,862
Changes in proportion and difference between contributions	164,314	11,347	-	
City's contributions subsequent to the measurement date	420,159	29,017	31,458	480,634
Total	<u>\$ 830,175</u>	<u>\$ 57,333</u>	<u>\$ 31,458</u>	<u>\$ 918,966</u>

	Deferred Inflows of Resources			
	PERS		MMRS	Total
	Governmental Activities	Business-Type Activities	Governmental Activities	
Difference between expected and actual experience	\$ 25,411	\$ 1,754	\$ -	\$ 27,165
Net difference between projected and actual earnings on pension plan investments	253,567	17,512	28,010	299,089
Changes in proportion and difference between contributions	836,543	57,773	-	894,316
Total	<u>\$ 1,115,521</u>	<u>\$ 77,039</u>	<u>\$ 28,010</u>	<u>\$ 1,220,570</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 8 - Defined Benefit Pension Plan (Cont.)**

\$480,634 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, 2019.

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 September 30:

	<u>PERS</u>	<u>MMRS</u>	<u>Total</u>
2020	\$ (152,807)	\$ 13,941	\$ (138,866)
2021	(623,420)	(47,775)	(671,195)
2022	(93,426)	1,221	(92,205)
2023	115,425	4,603	120,028
Total	<u>\$ (754,228)</u>	<u>\$ (28,010)</u>	<u>\$ (782,238)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2019 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 – 18.5 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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, 2019**

**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>
Domestic Equity	27 %	4.90 %
International Equity	22	4.75
Global Equity	12	5.00
Fixed Income	20	1.50
Real Estate	10	4.00
Private Equity	8	6.25
Cash	1	0.25
Total	<u>100%</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 (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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	\$ 33,234,002	\$ 25,281,952	\$ 18,718,249
City's proportionate share of the net pension liability - MMRS	\$ 5,837,639	\$ 5,096,924	\$ 4,454,488

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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

***Note 9 – Litigation and Contingent Liabilities***

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, 2019**

**Note 10 – Other Commitments**

Operating leases:

The City has an operating agreement for copiers and various equipment. Lease expenditures for the year ended September 30, 2019 amounts to \$395,485. The lease is on a yearly basis.

Commitments under construction contracts are described in Note 6.

**Note 11 – Legal Debt Limit**

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2019.

	<u>15 Percent</u>	<u>20 Percent</u>
Authorized Debt Limit:		
Assessed valuation for fiscal year end		
September 30, 2019 (\$175,107,252)	\$ 26,266,088	\$ 35,021,450
 Present debt subject to debt limits	 <u>(1,680,500)</u>	 <u>(27,514,520)</u>
 Margin for further indebtedness	 <u>\$ 24,585,588</u>	 <u>\$ 7,506,930</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, 2019**

#### ***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, Mississippi 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 \$108,500. 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, Mississippi 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, Mississippi is a participant with Jones County and the Cities of Ellisville, Soso, and Sandersville in a 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 of 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 \$55,000. 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, Mississippi 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.



## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2019

#### **Note 14 – Joint Ventures (Cont.)**

The City of Laurel, Mississippi 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 \$300,000 to the joint venture in 2019. 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, Mississippi. 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 the 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 2019 and 2018, the City shared \$164,422 and \$160,064, 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:

	<u>General Fund</u>	<u>Recreation Fund</u>
Fund Balance (budgetary basis)	\$ 5,530,600	\$ 351,182
Accrued Revenues	(823,308)	195
Accrued Expenses	775,170	(26,425)
Fund balance (GAAP basis), Sept. 30:	<u>\$ 5,482,462</u>	<u>\$ 324,952</u>

#### **Note 17 – Tax Abatements**

The City enters into property tax abatement agreements with local businesses under the state 1989 Economic Development Reform Act. Under the Act, localities may grant property tax abatements of certain properties, except for school district taxes, finished goods and rolling stock, for the purpose of attracting or retaining businesses within their jurisdiction. The minimum fee allowable cannot be less than one-third (1/3) of the property tax levy, including ad valorem taxes for school district purposes. The maximum exemption period that can be sought is ten (10) years. The abatements may be granted to specific enterprises located within or promising to relocate to the City. Existing industries may seek ad valorem tax exemptions for any improvements or expansions made to their facilities. For the fiscal year ended September 30, 2019, the City abated property taxes totaling \$1,137,579 under this program for four separate manufacturing enterprises.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

**Note 18 – Deficit Fund Balances**

The City had the following deficit fund balances at September 30, 2019. The deficits will be financed through future revenues or transfers.

	<u>Fund Balance</u>
NRCS/PH Drainage Project Fund	\$ (127,506)
LFD Federal Grant Fund	(8,894)
Solid Waste Fund	<u>(577,349)</u>
	<u>\$ (713,749)</u>

**Note 19 – 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, Mississippi evaluated the activity of the city through February 20, 2020, 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:

	<u>9/30/2018 Fund Balance</u>	<u>PPA</u>	<u>9/30/2018 Adjusted Fund Balance</u>
Governmental Activities			
Total net position	<u>\$ 9,714,224</u>	<u>\$ 53,111</u>	<u>\$ 9,767,335</u>

**Governmental Activities**

The Government-Wide financial statements were adjusted in the prior period to correct additions of capital assets and the calculation of depreciation for \$(62,330). The net position was also adjusted for the correction a prior period receivable for franchise taxes of \$51,183. Furthermore, the net pension was adjusted to correct accounts payable recorded erroneously in the prior year of \$64,258. The total adjustments increased the net position by \$53,111.

**General Fund**

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record a prior period adjustment to correct franchise tax receivable not recorded in prior years totaling \$51,183. To correct this error, the beginning fund balance of other governmental funds of \$4,141,193, as originally reported, has been increased to \$4,192,376.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2019**

***Note 20 – Prior Period Adjustments (cont'd)***

**NRCS/PH Drainage Project Fund**

The beginning fund balance of the NRCS/PH Drainage Project Fund has been restated on the fund basis financial statements to record a prior period adjustment to correct accounts payable recorded in prior years totaling \$64,258. To correct this error, the beginning fund balance of other governmental funds of \$899,797, as originally reported, has been increased to \$964,055.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAUREL, MISSISSIPPI**

**Budgetary Comparison Schedule  
General Fund  
Year Ended September 30, 2019**

**Schedule 1a**

				Variances	
	Original Budget	Final Budget	Actual Budgetary Basis	Original to Final	Final to Actual
<b>REVENUES</b>					
General property taxes	\$ 2,946,999	\$ 2,946,999	\$ 3,044,977	\$ -	\$ 97,978
Homestead exemption	65,000	65,000	106,669	-	41,669
Licenses and permits	235,200	235,200	211,363	-	(23,837)
Franchise taxes on utilities	1,820,000	1,820,000	1,934,413	-	114,413
Intergovernmental revenue	-	-	54,848	-	54,848
Gas & oil severance tax	8,000	8,000	13,340	-	5,340
State shared revenues	58,026	58,026	64,662	-	6,636
Federal grants	-	65,270	69,359	65,270	4,089
Local revenues	850,000	850,000	970,212	-	120,212
General sales taxes	8,890,000	8,890,000	9,208,712	-	318,712
Charges for services	51,800	456,800	541,955	405,000	85,155
Fines and forfeitures	550,000	550,000	447,252	-	(102,748)
Interest	10,000	10,000	99,050	-	89,050
Rents	80,000	80,000	142,818	-	62,818
Other revenues	5,000	14,572	10,762	9,572	(3,810)
Total revenues	15,570,025	16,049,867	16,920,392	479,842	870,525
<b>EXPENDITURES</b>					
General government	3,897,509	4,327,826	4,076,603	(430,317)	251,223
Public safety	8,774,056	8,999,639	8,585,443	(225,583)	414,196
Public works	1,960,092	1,627,665	1,480,727	332,427	146,938
Health & welfare	-	445,666	417,682	(445,666)	27,984
Culture & Recreation	-	-	-	-	-
Economic Development	769,644	773,144	772,716	(3,500)	428
Capital outlay	7,000	671,086	278,891	(664,086)	392,195
Debt service	57,183	129,902	231,848	(72,719)	(101,946)
Total expenditures	15,465,484	16,974,928	15,843,910	(1,509,444)	1,131,018
Excess (deficiency) of revenues over expenditures	104,541	(925,061)	1,076,482	(1,029,602)	2,001,543
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance/Legal settlements	-	35,914	35,920	(35,914)	6
Unrealized Gain/Loss Investment	-	-	34,772	-	34,772
Loan proceeds	-	-	114,380	-	114,380
Sale of property	-	29,056	37,509	(29,056)	8,453
Operating transfers in	253,113	253,113	526,533	-	273,420
Operating transfers out	(348,648)	(583,648)	(583,648)	(235,000)	-
Total other financing sources (uses)	(95,535)	(265,565)	165,466	(299,970)	431,031
	9,006	(1,190,626)	1,241,948	(1,329,572)	2,432,574
Fund balances - beginning (Non-GAAP Budgetary Basis)			4,288,652		
Fund balances - ending (Non-GAAP Budgetary Basis)			\$ 5,530,600		

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, 2019**

**Schedule 1b**

				Variances	
	Original Budget	Final Budget	Actual Budgetary Basis	Positive Original to Final	(Negative) Final to Actual
<b>REVENUES</b>					
General property taxes	\$ 830,700	\$ 864,831	\$ 858,785	\$ 34,131	\$ (6,046)
Homestead exemption	-	27,951	30,179	27,951	2,228
Charges for services	243,600	258,945	256,319	15,345	(2,626)
Other revenues	-	19,000	1,000	19,000	(18,000)
Total revenues	1,074,300	1,170,727	1,146,283	96,427	(24,444)
<b>EXPENDITURES</b>					
General government	414,513	419,097	413,748	(4,584)	5,349
Culture & recreation	1,784,443	1,416,888	1,786,179	367,555	(369,291)
Capital outlay	-	124,074	229,478	(124,074)	(105,404)
Total expenditures	2,198,956	1,960,059	2,429,405	238,897	(469,346)
Excess (deficiency) of revenues over expenditures	(1,124,656)	(789,332)	(1,283,122)	335,324	(493,790)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	1,250,000	1,250,000	1,479,478	-	229,478
Operating transfers out	(101,225)	(101,225)	(101,225)	-	-
Total other financing sources (uses)	1,148,775	1,148,775	1,378,253	-	229,478
	24,119	359,443	95,131	335,324	(264,312)
Fund balances - beginning (Non-GAAP Budgetary Basis)			256,051		
Fund balances - ending (Non-GAAP Budgetary Basis)			\$ 351,182		

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\*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	% 0.143713	0.142302	0.143466	0.14393	0.148172
City's proportionate share of the net pension liability	\$ 25,281,952	23,669,050	23,848,918	25,709,492	23,187,042
City's covered payroll	9,512,505	9,114,445	9,181,473	9,165,454	7,034,597
City's proportionate share of the net pension liability as a percentage of its covered payroll	265.78%	259.69%	259.75%	280.50%	329.61%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 1,107,949	\$ 1,443,559	\$ 1,446,082	\$ 1,430,801	\$ 1,539,056
Contributions in relation to the contractually required contribution	<u>\$ 1,107,949</u>	<u>\$ 1,443,559</u>	<u>\$ 1,446,082</u>	<u>\$ 1,430,801</u>	<u>\$ 1,539,056</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	7,034,597	9,165,454	9,181,473	9,084,451	9,512,505
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	16.18%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total pension liability</b>					
Interest	\$ 833,652	\$ 855,096	\$ 788,851	\$ 771,868	\$ 725,639
Differences between expected and actual experience	(313,107)	21,309	25,729	(331,660)	(155,468)
Changes of assumptions	-	324,098	35,157	-	(21,750)
Benefit payments, including refunds of employee contributions	(1,112,353)	(1,152,454)	(1,084,891)	(1,052,849)	(1,020,571)
<b>Net change in total pension liability</b>	(591,808)	48,049	(235,154)	(612,641)	(472,150)
<b>Total pension liability - beginning</b>	11,312,971	11,264,922	10,721,163	10,486,009	9,873,368
<b>Total pension liability - ending (a)</b>	<u>\$ 10,721,163</u>	<u>\$ 11,312,971</u>	<u>\$ 10,486,009</u>	<u>\$ 9,873,368</u>	<u>\$ 9,401,218</u>
<b>Plan fiduciary net position</b>					
Contributions- employer	\$ 994,419	\$ 1,068,848	\$ 597,342	\$ 764,620	\$ 787,708
Contributions- member	-	-	-	-	-
Net investment income	16,591	136,278	549,865	332,664	297,095
Benefit payments, including refunds of employee contributions	(1,112,353)	(1,152,454)	(1,084,891)	(1,052,849)	(1,020,571)
Administrative expense	(19,888)	(21,377)	(11,947)	(15,292)	(15,754)
Other	40,358	-	(8,105)	(389)	1,055
<b>Net change in plan fiduciary net position</b>	(80,873)	31,295	42,264	28,754	49,533
<b>Plan net position - beginning</b>	4,264,616	4,233,321	4,183,743	4,226,007	4,254,761
<b>Plan net position - ending (b)</b>	<u>\$ 4,183,743</u>	<u>\$ 4,264,616</u>	<u>\$ 4,226,007</u>	<u>\$ 4,254,761</u>	<u>\$ 4,304,294</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	\$ 6,537,420	\$ 7,048,355	\$ 6,260,002	\$ 5,618,607	\$ 5,096,924
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	39.02%	37.70%	40.30%	43.09%	45.78%
<b>Covered payroll*</b>	N/A	N/A	N/A	N/A	N/A
<b>Net pension liability (asset) as a percentage of covered payroll*</b>	N/A	N/A	N/A	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.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 1,068,848	\$ 994,419	\$ 597,342	\$ 764,620	\$ 779,711
Contributions in relation to the contractually required contribution	<u>1,068,848</u>	<u>994,419</u>	<u>597,342</u>	<u>764,620</u>	<u>779,711</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll**	N/A	N/A	N/A	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.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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, 2019

#### 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 assumptions

- 2019
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
    - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
    - For males, 137% of male rates at all ages.
    - For females, 115% of female rates at all ages.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 3.00% to 2.75%.
  - The wage inflation assumption was reduced from 3.25% to 3.00%.
  - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

## CITY OF LAUREL, MISSISSIPPI

### Notes to Required Supplemental Information Year Ended September 30, 2019

- 2018
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
  - The wage inflation assumption was reduced from 3.75% to 3.25%.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
  - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP2000 Mortality Table, which was used prior to 2015.
  - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
  - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively

(2) Changes in benefit provisions.

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

Notes to the supplementary schedules related to MRS Pension:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Contributions for the fiscal year ending September 30, 2019 were based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	4.00 – 5.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

## **REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**



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

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

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

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

Members of the City Council  
City of Laurel, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Laurel, Mississippi as of and for the year ended September 30, 2019, 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 February 20, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Laurel, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Laurel, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. Finding 2019-001.

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**Compliance and Other Matters**

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

City of Laurel, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Laurel, Mississippi'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, Mississippi  
February 20, 2020

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





**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

We have audited the basic financial statements of the City of Laurel, Mississippi as of and for the year ended September 30, 2019, and have issued our report thereon dated February 20, 2020. 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:** The City concurs with the audit finding and will closely monitor line items which may exceed the budgeted amount.

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## **Finding #2**

**Condition:** The City has various funds that retained a negative fund balance at the end of the fiscal year.

**Recommendation:** We recommend the City to closely monitor funds to determine if negative fund balances exist and that proper transfer are made to eliminate negative fund balances.

**Response:** During September, the Administration will review all negative fund balances with the appropriate department. After this review, any necessary budget transfers will be recommended to the Council and amended to cover the negative fund balances.

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  
February 20, 2020

## **SCHEDULE OF FINDINGS AND RESPONSES**

**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Findings and Responses  
Year Ended September 30, 2019**

***Section 1: Financial Statement Findings:***

**Material Weakness:**

**Finding 2019-001**

**Criteria:** At the present time, there is no procedure for reconciling detailed fixed asset records to the general ledger on a regular basis.

**Condition:** While performing audit procedures for fixed assets, we noted several capital assets that had not been recorded on the City's detailed schedule of capital assets.

**Cause:** Although the City maintains a detailed schedule of capital assets, the schedule was not complete and inaccurate because the records are not being reconciled to the general ledger.

**Effect:** An inaccurate capital asset schedule could cause an over/understatement of expenditures on the financial statements. Also, it could affect the City's ability to detect any future capital asset removal or disposition without proper authorization.

**Recommendation:** We recommend that the City reconcile the general ledger to the schedule of capital assets on a regular basis. This will provide a safeguard to these assets, which are a significant cost to the City.

**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Surety Bonds for Municipal Officials  
Year Ended September 30, 2019**

<b>Position</b>	<b>Insurance Company</b>	<b>Coverage</b>
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