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CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2020**

CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2020**

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CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2020**

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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, 2020, 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, 2020, 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 7-17 and 67-73, 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 financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2021 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.

Emphasis of Matter: COVID – 19 Pandemic

As discussed in Note 19 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any City disruptions and related financial impact cannot be reasonably estimated at this time.

Holt & Associates, PLLC

Laurel, MS
February 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2020

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, 2020. 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 2020 were as follows:

- Total net position increased by \$4,296,486 or 15% from 2019
- Total assets increased by \$11,498,378 or 9% from 2019
- Total liabilities increased by \$8,072,768 or 8% from 2019
- In total, equity in pooled cash and cash equivalents increased \$4,775,159, or 49% from 2019
- Overall, the book value of capital assets increased by \$4,509,794 or 6% from 2019

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 2020?" 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, 2020

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 20. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Laurel, Mississippi, the City's major funds are the General Fund, Recreation Fund, Bond and Interest Retirement Fund, Tourism Bond 1996 Fund, Tourism Bond 1998 Fund, Capital Improvements Fund, Street Improvement Fund, 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 26 and 27.

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2020

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 28-30. Operating revenues of the water and sewer system are utilized to fund operations and maintenance expenses and debt service.

The City of Laurel, Mississippi as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019.

Table 2 shows the Changes in Net Position for the years ended September 30, 2020 and 2019.

(See Next Pages for Table 1 and Table 2)

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2020

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 33,828,428	\$ 30,303,493	\$ 18,584,136	\$ 15,120,487	\$ 52,412,564	\$ 45,423,980
Capital assets, net	56,594,903	52,579,073	27,918,380	27,424,416	84,513,283	80,003,489
Total assets	<u>\$ 90,423,331</u>	<u>\$ 82,882,566</u>	<u>\$ 46,502,516</u>	<u>\$ 42,544,903</u>	<u>\$ 136,925,847</u>	<u>\$ 125,427,469</u>
DEFERRED OUTFLOWS	<u>\$ 2,390,684</u>	<u>\$ 879,073</u>	<u>\$ 143,895</u>	<u>\$ 57,333</u>	<u>\$ 2,534,579</u>	<u>\$ 936,406</u>
LIABILITIES						
Current and other liabilities	11,483,253	9,840,861	2,738,923	3,587,762	14,222,176	13,428,623
Long-term liabilities, outstanding:						
Due within one year	2,506,048	2,500,342	2,171,007	1,892,397	4,677,055	4,392,739
Payable after one year	27,273,600	25,289,932	25,495,222	22,358,341	52,768,822	47,648,273
Net pension liability	30,476,175	28,745,662	1,777,051	1,633,214	32,253,226	30,378,876
Total liabilities	<u>\$ 71,739,076</u>	<u>\$ 66,376,797</u>	<u>\$ 32,182,203</u>	<u>\$ 29,471,714</u>	<u>\$ 103,921,279</u>	<u>\$ 95,848,511</u>
DEFERRED INFLOWS	<u>\$ 1,828,074</u>	<u>\$ 1,143,531</u>	<u>\$ 119,794</u>	<u>\$ 77,039</u>	<u>\$ 1,947,868</u>	<u>\$ 1,220,570</u>
NET POSITION						
Net investment in capital assets	27,092,925	25,064,554	276,503	2,438,634	27,369,428	27,503,188
Restricted	15,764,992	14,283,118	-	-	15,764,992	14,283,118
Unrestricted	(23,611,052)	(23,106,361)	14,067,911	10,614,849	(9,543,141)	(12,491,512)
Total net position	<u>\$ 19,246,865</u>	<u>\$ 16,241,311</u>	<u>\$ 14,344,414</u>	<u>\$ 13,053,483</u>	<u>\$ 33,591,279</u>	<u>\$ 29,294,794</u>

CITY OF LAUREL, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2020**

Table 2

Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES:						
Program Revenues:						
Charges for services	\$ 2,543,009	\$ 2,348,970	\$ 12,984,371	\$ 12,729,686	\$ 15,527,380	\$ 15,078,656
Operating grants and contributions	663,556	353,910	-	-	663,556	353,910
Capital grants and contributions	1,288,775	50,190	-	-	1,288,775	50,190
Total program revenues	4,495,340	2,753,070	12,984,371	12,729,686	17,479,711	15,482,756
General Revenues:						
Property taxes	7,141,049	6,924,750	-	-	7,141,049	6,924,750
Other taxes	11,460,649	11,493,575	-	-	11,460,649	11,493,575
Grants and contributions not restricted to specific programs	2,277,853	2,000,071	-	-	2,277,853	2,000,071
Other general revenues	2,521,092	2,169,920	1,043,381	585,063	3,564,473	2,754,983
Total general revenues	23,400,643	22,588,316	1,043,381	585,063	24,444,024	23,173,379
Total revenues	27,895,983	25,341,386	14,027,752	13,314,749	41,923,735	38,656,135
PROGRAM EXPENSES						
General government	5,565,701	5,501,307	-	-	5,565,701	5,501,307
Public safety	10,956,236	10,098,936	-	-	10,956,236	10,098,936
Public works	2,617,743	2,391,412	-	-	2,617,743	2,391,412
Health and welfare	450,211	447,580	-	-	450,211	447,580
Culture and recreation	2,342,372	2,435,207	-	-	2,342,372	2,435,207
Economic development	1,511,942	919,152	-	-	1,511,942	919,152
Water and sewer	-	-	13,262,487	13,080,107	13,262,487	13,080,107
Interest and fiscal charges	920,559	807,896	-	-	920,559	807,896
Total program expenses	24,364,764	22,601,490	13,262,487	13,080,107	37,627,251	35,681,597
Increase in net position before transfers	3,531,220	2,739,896	765,265	234,642	4,296,485	2,974,538
Transfers	(525,667)	3,734,080	525,667	(3,734,080)	-	-
Increase in net position after transfers	3,005,554	6,473,976	1,290,932	(3,499,438)	4,296,485	2,974,538
Net Position - Beginning	16,241,311	9,714,224	13,053,483	16,552,921	29,294,794	26,267,145
Net Position - Ending	\$ 19,246,865	\$ 16,188,200	\$ 14,344,415	\$ 13,053,483	\$ 33,591,279	\$ 29,241,683

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2020

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 \$3,005,554, and the unrestricted net position of the City increased by \$2,948,371. By far the largest portion of the City's net position (81% for 2020 and 94% for 2019) 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)	\$ (9,543,141)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	31,672,571
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 22,129,430</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City received \$9,361,021 in sales tax collections from the State of Mississippi, or 40% of general revenues; revenues from the collection of property taxes accounted for \$7,141,049, or 31% of general revenues. Franchise taxes collected from various entities located within the City accounted for \$1,807,828, or 7% of general revenues. Revenues received from charges for services and grants amounted to \$6,773,192 or 24% of general revenues.

Major expense activities, under the accrual basis of accounting, included Public Safety expenses accounting for \$10,956,236, or 45% of total program expenses. Culture & recreation accounted for \$2,2 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 increased the City of Laurel, Mississippi's net position by \$1,290,932 in 2020. The substantial increase is mainly due to operating transfers for capital improvements.

CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2020

The City's Funds

Information about the City's major governmental funds begins on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,652,532 and expenditures of \$29,994,699.

The fund balance of the general fund increased by \$563,192, while revenues exceeded expenditures by \$589,992.

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 2020, 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, 2020

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, 2020 and 2019.

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

	2020	2019
Land	\$ 887,520	\$ 887,520
Buildings and infrastructure	47,194,591	45,176,989
Furniture and equipment	3,169,638	3,411,890
Construction in progress	5,343,154	3,102,674
Total	<u>\$ 56,594,903</u>	<u>\$ 52,579,073</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, 2020 and 2019.

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

	2020	2019
Buildings and infrastructure	\$ 25,466,316	\$ 20,910,350
Furniture and equipment	2,414,963	1,753,025
Construction in progress	37,101	4,761,041
Total	<u>\$ 27,918,380</u>	<u>\$ 27,424,416</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 46-48 of this report.

General Long-Term Obligations

At September 30, 2020, the City of Laurel, Mississippi had \$57,445,878 in outstanding general obligation bonds payable and notes payable. The City's long-term debt at September 30, 2019 was \$52,041,012 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, 2020

	<u>2020</u>	<u>2019</u>
General Bonded Debt		
General Obligation Bonds	\$ 20,055,000	\$ 16,805,000
CAP Loans Payable	3,257,073	3,645,252
MS Development Bank Bonded Debt	1,260,000	1,400,000
Notes payable	1,366,915	1,732,734
Capital leases	985,856	1,264,399
Energy efficiency lease	2,577,134	2,667,134
Subtotal General Bonded Debt	<u>29,501,978</u>	<u>27,514,519</u>
 Revenue Bonds		
Water and Sewer General Obligation Bonds	7,570,000	8,120,000
Water and Sewer Revenue Bonds	7,340,000	2,500,000
CAP Loans Payable	60,648	91,648
General Obligation Notes - State Revolving Loan Fund	11,888,904	12,900,064
Notes payable	41,823	47,512
Capital leases	740,502	571,023
Subtotal Revenue Bonds	<u>27,641,878</u>	<u>24,230,247</u>
 Compensated Absences	<u>302,022</u>	<u>296,246</u>
 Total Long-Term Obligations	<u><u>\$ 57,445,878</u></u>	<u><u>\$ 52,041,012</u></u>

Additional information of the City's long-term debt can be found in Note 7 on pages 49-56 of this report.

Current Issues

In Fiscal Year 2020, 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 forty-nine new business licenses were completed in FY 2020.

The City of Laurel's total sales tax diversion for FY 2020 was \$9,334,117; an increase of 2.0% over last year in which we collected \$9,177,031. 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 40% of our General Fund budget.

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2020

Public Utility Revenue Bond:

For the first time in the City's history, the City of Laurel obtained an AA credit rating on one of its bonds. This credit rating was accomplished on a \$5 million, 20-year revenue bond for the public utility fund. Over the past several years, the City has been committed to replacing the existing water/sewer infrastructure with newer and more efficient infrastructure. This is the culmination of all our efforts over the past two decades – an AA rating.

With an AA credit rating, the City received bids for interest rates from five outstanding financial institutions. The winning bid was for 1.59% and all five bids were below 2%. Because of our excellent credit history of repaying bonds, increasing water/sewer rates 3% annually, and using the bond money for only water/sewer improvements, the City was able to issue a 20-year Revenue Bond at 1.59%; therefore, saving the citizens of Laurel thousands of dollars in interest.

Recreation Bond:

The City issued two separate General Obligation bonds for the proposed Sportsplex Improvement Project. The first bond (in the amount of \$3 million) will be repaid from the first penny tourism sales tax and the second bond (\$1.5 million) will be repaid with the second penny tourism sales tax. Each of these bonds had a credit rating of A+.

Capital Equipment

In December of 2019, the City of Laurel issued a five-year note in the amount of \$336,029 for two dump trucks, a mini-excavator, and a backhoe. These items are to be used in the public utility department and were financed with water/sewer fund revenue.

At the end of the fiscal year, because the City had appropriated some funds that were not going to be spent, mainly due to personnel vacancies, the Administration requested the Council to reallocate these funds to the capital line items. The Police, Fire, Street, Drainage and ITS Departments were able to purchase some much-needed capital items for their departments. No additional loans were required to make these purchases.

Due to the December 2019 tornado and the March 2020 hailstorm, the City suffered much damage to several pieces of our capital equipment and also to our buildings. The insurance company sent us a total of \$1,020,303 to repair and/or replace the equipment and buildings.

Street Funds:

The additional four mills that are levied especially for street repair is in its second year of collection. Around \$750,000 is collected from these four mills. The 2020 overlay project is being financed in this fund. The contract for this project is \$2 million, with the extra \$500,000 being transferred from the Road and Bridge fund to make up the difference in the contract.

Another source of street funds from the State is the Mississippi Infrastructure Modernization Act. Over \$200,000 was received in FY 2020 from the proceeds of this act. These funds were used for engineering expenses and other grant applications.

Grants Management

The City received a total of \$109,426 in fire insurance rebate in July, 2020. These funds were used to make payments on three fire trucks and turnout equipment. (Another fire truck is being paid out of the General Fund and the new ladder truck is being paid out of the Debt Service Fund for a total of five fire trucks.)

CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2020

Corona Virus

As a result of an appropriation from the Federal Government, the State was able to appropriate funds to the cities for Corona Virus Relief. The City received a deposit for \$434,244 in October 2020, which was accrued in year ending September 30, 2020.

The City of Laurel made these many accomplishments possible amidst the Corona Virus pandemic. All precautions, including masks, gloves, hand-sanitizing, wiping and spraying counters were taken during the year in order to protect the health and safety of our employees and customers.

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, 2020

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,133,434	\$ 5,356,538	\$ 14,489,972
Short-term investments	19,391,694	8,514,996	27,906,690
Accounts receivable	24,128,357	3,010,321	27,138,678
Allowance for uncollectibles	(21,283,592)	(1,591,409)	(22,875,001)
Due from other funds	21,590	3,290,394	3,311,984
Due from other governments	2,315,849	-	2,315,849
Inventory	11,034	-	11,034
Prepaid assets	110,062	3,296	113,358
Capital assets, net	56,594,903	27,918,380	84,513,283
Total Assets	90,423,331	46,502,516	136,925,847
DEFERED OUTFLOWS OF RESOURCES			
Deferred outflows related to bond issuance	6,056	-	6,056
Deferred outflows related to pensions	2,384,628	143,895	2,528,523
Total Deferred Outflows	2,390,684	143,895	2,534,579
LIABILITIES			
Accounts payable and accrued liabilities	2,489,344	1,106,472	3,595,816
Bank overdraft	5,213,796	-	5,213,796
Accrued interest	178,575	62,400	240,975
Customer deposits	1,000	706,118	707,118
Due to other funds	2,548,586	863,933	3,412,519
Due to other governments	1,051,952	-	1,051,952
Long-term liabilities (Due within one year)			
Capital related liabilities	2,506,048	2,171,007	4,677,055
Long-term liabilities (Due beyond one year)			
Capital related liabilities	26,995,930	25,470,870	52,466,800
Non-capital related liabilities	277,670	24,352	302,022
Net pension liability	30,476,175	1,777,051	32,253,226
Total Liabilities	71,739,076	32,182,203	103,921,279
DEFERED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,828,074	119,794	1,947,868
NET POSITION			
Investment in capital assets (net of related debt)	27,092,925	276,503	27,369,428
Restricted for:			
Capital improvements	13,598,673	-	13,598,673
Debt service	2,081,963	-	2,081,963
Unemployment benefits	84,356	-	84,356
Unrestricted	(23,611,052)	14,067,911	(9,543,141)
Total Net Position	\$ 19,246,865	\$ 14,344,414	\$ 33,591,279

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

CITY OF LAUREL, MISSISSIPPI

Statement of Activities
Year Ended September 30, 2020

EXHIBIT B

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL:							
General government	\$ 5,565,701	\$ 245,774	\$ 578,132	\$ -	\$ (4,741,795)	\$ -	\$ (4,741,795)
Public safety	10,956,236	1,726,503	67,424	-	(9,162,309)	-	(9,162,309)
Public works	2,617,743	324,958	-	1,288,775	(1,004,010)	-	(1,004,010)
Health & welfare	450,211	-	-	-	(450,211)	-	(450,211)
Culture & recreation	2,342,372	245,774	18,000	-	(2,078,598)	-	(2,078,598)
Economic development	1,511,942	-	-	-	(1,511,942)	-	(1,511,942)
Interest	920,559	-	-	-	(920,559)	-	(920,559)
Total governmental activities	24,364,763	2,543,009	663,556	1,288,775	(19,869,423)	-	(19,869,423)
BUSINESS-TYPE:							
Water & sewer	13,262,487	12,984,371	-	-	-	(278,116)	(278,116)
Total business-type activities	13,262,487	12,984,371	-	-	-	(278,116)	(278,116)
Total primary government	\$ 37,627,250	\$ 15,527,380	\$ 663,556	\$ 1,288,775	(19,869,423)	(278,116)	(20,147,539)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					4,749,669	-	4,749,669
Property taxes, levied for debt service					2,391,380	-	2,391,380
Sales taxes					9,361,021	-	9,361,021
Franchise taxes					1,807,828	-	1,807,828
Homestead exemption					247,577	-	247,577
Gas and oil severance tax					9,844	-	9,844
Payments in lieu of taxes					34,379	-	34,379
Grants and contributions not restricted to specific programs					2,277,852	-	2,277,852
Unrestricted investment earnings					602,710	405,529	1,008,239
Unrealized gain (loss) on investments					(264,170)	(163,222)	(427,392)
Other local sources					499,875	209,615	709,490
Rents and royalties					98,524	-	98,524
Gain/loss on sale of assets					74,465	(1,617)	72,848
Other revenues					1,509,690	593,075	2,102,765
Transfers, net					(525,667)	525,667	-
Total general revenues and transfers					22,874,977	1,569,047	24,444,024
CHANGE IN NET POSITION					3,005,554	1,290,931	4,296,485
NET POSITION - BEGINNING					16,241,311	13,053,483	29,294,794
NET POSITION - ENDING					\$ 19,246,865	\$ 14,344,414	\$ 33,591,279

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

CITY OF LAUREL, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2020

	Major Funds					
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Capital Improvements Fund
ASSETS						
Cash and cash equivalents	\$ 2,275,395	\$ 500,092	\$ 1,369,656	\$ 224,853	\$ 191,128	\$ 973,534
Investments	1,804,730	-	260,144	-	-	-
Accounts receivable	24,128,357	-	-	-	-	-
Allowance for uncollectibles	(21,283,592)	-	-	-	-	-
Due from other funds	318,361	-	82,122	19,908	-	80,263
Due from other governments	1,945,832	6,347	17,096	157,668	157,667	-
Inventory	11,034	-	-	-	-	-
Prepaid items	105,824	4,238	-	-	-	-
Total assets	\$ 9,305,941	\$ 510,677	\$ 1,729,018	\$ 402,429	\$ 348,795	\$ 1,053,797
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 842,067	\$ 205,698	\$ -	\$ -	\$ 240,521	\$ -
Bank overdraft	-	-	-	-	-	-
Due to other funds	1,365,268	-	135,350	2,500	19,908	1,220,697
Due to other governments	1,051,952	-	-	-	-	-
Customer deposits	1,000	-	-	-	-	-
Total Liabilities	3,260,287	205,698	135,350	2,500	260,429	1,220,697
Fund Balances:						
Nonspendable:						
Inventory	11,034	-	-	-	-	-
Prepaid items	105,824	4,238	-	-	-	-
Restricted:						
Debt service	-	-	1,593,668	399,929	88,366	-
Capital projects	-	-	-	-	-	(166,900)
Unemployment benefits	-	-	-	-	-	-
Assigned:						
Recreational purposes	-	300,741	-	-	-	-
Public safety and awareness	-	-	-	-	-	-
Unassigned:	5,928,796	-	-	-	-	-
Total Fund Balance	6,045,654	304,979	1,593,668	399,929	88,366	(166,900)
Total liabilities & fund balance	\$ 9,305,941	\$ 510,677	\$ 1,729,018	\$ 402,429	\$ 348,795	\$ 1,053,797

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

CITY OF LAUREL, MISSISSIPPI

**Balance Sheet
Governmental Funds
September 30, 2020**

	Major Funds				EXHIBIT C
	Street Improvement Fund	2019 Drainage Bond Fund	Recreation Improvement Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 707,568	\$ -	\$ 2,891,208	\$ 9,133,434
Investments	6,824,224	2,500,084	8,002,512	-	19,391,694
Accounts receivable	-	-	-	-	24,128,357
Allowance for uncollectibles	-	-	-	-	(21,283,592)
Due from other funds	21,748	-	2,500	307,549	832,451
Due from other governments	-	-	-	31,239	2,315,849
Inventory	-	-	-	-	11,034
Prepaid items	-	-	-	-	110,062
Total assets	\$ 6,845,972	\$ 3,207,652	\$ 8,005,012	\$ 3,229,996	\$ 34,639,289
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 431,239	\$ 85,686	\$ 317,150	\$ 366,983	\$ 2,489,344
Bank overdraft	4,877,911	-	335,885	-	5,213,796
Due to other funds	114,652	-	-	501,072	3,359,447
Due to other governments	-	-	-	-	1,051,952
Customer deposits	-	-	-	-	1,000
Total Liabilities	5,423,802	85,686	653,035	868,055	12,115,539
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	-	11,034
Prepaid items	-	-	-	-	110,062
Restricted:					
Debt service	-	-	-	-	2,081,963
Capital projects	1,422,170	3,121,966	7,351,977	1,869,460	13,598,673
Unemployment benefits	-	-	-	84,356	84,356
Assigned:					
Recreational purposes	-	-	-	-	300,741
Public safety and awareness	-	-	-	408,125	408,125
Unassigned:	-	-	-	-	5,928,796
Total Fund Balance	1,422,170	3,121,966	7,351,977	2,361,941	22,523,750
Total liabilities & fund balance	\$ 6,845,972	\$ 3,207,652	\$ 8,005,012	\$ 3,229,996	\$ 34,639,289

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, 2020**

EXHIBIT C-1

Total fund balances for governmental funds (Exhibit C) \$ 22,523,750

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	5,343,154	
Buildings and infrastructure	76,715,900	
Furniture and mobile equipment	9,391,686	
Accumulated Depreciation	<u>(35,743,357)</u>	56,594,903

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	(20,055,000)	
Notes payable	(5,883,988)	
Capital leases	(985,856)	
Energy efficiency lease	(2,577,134)	
Compensated Absences	(277,670)	
Accrued interest payable	<u>(178,575)</u>	(29,958,223)

3. Some liabilities, including net position obligations are not due and payable in the current period and, therefore, are not reported in the funds

Net pension liability	<u>(30,476,175)</u>	(30,476,175)
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4. 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	6,056	
Deferred outflows of resources related to pensions	2,384,628	
Deferred inflows of resources related to pensions	<u>(1,828,074)</u>	<u>562,610</u>

Total net position of governmental activities (Exhibit A) \$ 19,246,865

CITY OF LAUREL, MISSISSIPPI

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2020

	Major Funds					
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Capital Improvements Fund
REVENUES						
General property taxes:						
Current	\$ 3,113,053	\$ 873,292	\$ 2,368,783	\$ -	\$ -	\$ -
Delinquent	9,793	2,583	6,428	-	-	-
Penalties and interest on delinquent taxes	21,533	6,078	16,169	-	-	-
Homestead exemption	111,343	31,182	79,582	-	-	-
Licenses and permits	324,958	-	-	-	-	-
Franchise taxes on utilities	1,807,828	-	-	-	-	-
Intergovernmental revenue	34,379	-	-	-	-	-
Gas & oil severance tax	9,844	-	-	-	-	-
State shared revenues	63,387	-	-	925,890	925,889	-
Federal grants	457,650	-	-	-	-	271,353
State grants	-	-	-	-	-	-
Local revenues	499,875	-	-	-	-	-
General sales taxes	9,361,021	-	-	-	-	-
Charges for services	97,279	148,495	-	-	-	-
Fines and forfeitures	1,648,223	-	-	-	-	-
Interest	120,757	-	6,174	-	-	1,616
Rents	98,524	-	515,119	-	-	-
Other revenues	10,012	54,383	-	-	-	-
Total revenues	17,789,459	1,116,013	2,992,255	925,890	925,889	272,969
EXPENDITURES						
General government	3,872,441	371,952	-	-	-	-
Public safety	10,142,186	-	-	-	-	-
Public works	1,527,432	-	-	-	-	-
Health & welfare	418,570	-	-	-	-	-
Culture & recreation	-	1,867,202	-	-	-	-
Economic Development and Assistance	799,361	-	-	-	240,520	-
Capital outlay	-	-	-	-	-	546,614
Debt service:						
Principal	382,021	4,672	1,706,161	155,000	185,000	-
Interest and fiscal charges	57,456	3,314	528,992	97,975	7,673	-
Total expenditures	17,199,467	2,247,140	2,235,153	252,975	433,193	546,614
Excess (deficiency) of revenues over expenditures	589,992	(1,131,127)	757,102	672,915	492,696	(273,645)
OTHER FINANCING SOURCES (USES)						
Unrealized gain (loss) on investments	(5,597)	-	190	-	-	423
Insurance Proceeds	376,722	50,506	-	-	-	-
Legal settlements	5,177	-	-	-	-	-
Loan proceeds	-	-	-	-	-	750
Sale of property	96,769	-	-	-	-	-
Operating transfers in	50,000	1,110,648	-	-	-	-
Operating transfers out	(549,871)	(50,000)	(228,838)	(610,000)	(500,000)	-
Total other financing sources (uses)	(26,800)	1,111,154	(228,648)	(610,000)	(500,000)	1,173
Net change in fund balances	563,192	(19,973)	528,454	62,915	(7,304)	(272,472)
Fund balances						
Fund balances - beginning	5,482,462	324,952	1,065,214	337,014	95,670	105,572
Fund balances - ending	\$ 6,045,654	\$ 304,979	\$ 1,593,668	\$ 399,929	\$ 88,366	\$ (166,900)

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, 2020

	Major Funds				EXHIBIT D
	Street Improvement Fund	2019 Drainage Bond Fund	Recreation Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes:					
Current	\$ -	\$ -	\$ -	\$ 722,260	\$ 7,077,388
Delinquent	-	-	-	-	18,804
Penalties and interest on delinquent taxes	-	-	-	1,077	44,857
Homestead exemption	-	-	-	25,470	247,577
Licenses and permits	-	-	-	-	324,958
Franchise taxes on utilities	-	-	-	-	1,807,828
Intergovernmental revenue	-	-	-	-	34,379
Gas & oil severance tax	-	-	-	-	9,844
State shared revenues	-	-	-	608,460	2,523,626
Federal grants	-	42,354	-	283,805	1,055,162
State grants	-	650,000	-	229,168	879,168
Local revenues	-	-	-	-	499,875
General sales taxes	-	-	-	-	9,361,021
Charges for services	-	-	-	-	245,774
Fines and forfeitures	-	-	-	78,280	1,726,503
Interest	249,636	88,752	135,775	-	602,710
Rents	-	-	-	-	613,643
Other revenues	-	-	120,000	395,020	579,415
Total revenues	249,636	781,106	255,775	2,343,540	27,652,532
EXPENDITURES					
General government	-	-	-	-	4,244,393
Public safety	-	-	-	159,242	10,301,428
Public works	158	228,123	-	10,205	1,765,918
Health & welfare	-	-	-	-	418,570
Culture & recreation	-	-	-	247,979	2,115,181
Economic Development and Assistance	-	-	472,061	-	1,511,942
Capital outlay	2,669,769	-	628,843	2,385,702	6,230,928
Debt service:					
Principal	-	-	-	79,687	2,512,541
Interest and fiscal charges	-	-	194,182	4,206	893,798
Total expenditures	2,669,927	228,123	1,295,086	2,887,021	29,994,699
Excess (deficiency) of revenues over expenditures	(2,420,291)	552,983	(1,039,311)	(543,481)	(2,342,167)
OTHER FINANCING SOURCES (USES)					
Unrealized gain (loss) on investments	(126,220)	(62,983)	(69,983)	-	(264,170)
Insurance Proceeds	-	-	-	-	427,228
Legal settlements	-	-	-	-	5,177
Loan proceeds	-	-	4,500,000	-	4,500,750
Sale of property	-	-	-	-	96,769
Operating transfers in	-	-	-	252,394	1,413,042
Operating transfers out	-	-	-	-	(1,938,709)
Total other financing sources (uses)	(126,220)	(62,983)	4,430,017	252,394	4,240,087
Net change in fund balances	(2,546,511)	490,000	3,390,706	(291,087)	1,897,920
Fund balances					
Fund balances - beginning	3,968,681	2,631,966	3,961,271	2,653,028	20,625,830
Fund balances - ending	\$ 1,422,170	\$ 3,121,966	\$ 7,351,977	\$ 2,361,941	\$ 22,523,750

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, 2020**

EXHIBIT D-1

Net change in fund balances - total governmental funds (Exhibit D) \$ 1,897,920

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	6,575,434	
Net disposals	(22,302)	
Depreciation expense	(2,537,302)	4,015,830

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	(4,500,000)	
Payments of debt principal	2,512,541	
Accrued interest payable	(15,377)	
Change in issuance costs	(11,385)	(2,014,221)

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	(1,915)	(1,915)
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4. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires that pension expense and deferred outflows/inflows of resources related to pensions be recognized.

Pension expense for the current period	(1,375,597)	
Contributions made subsequent to the measurement date	483,537	(892,060)

Change in net position of governmental activities (Exhibit B) \$ 3,005,554

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

CITY OF LAUREL, MISSISSIPPI

**Statement of Fiduciary Net Position
September 30, 2020**

EXHIBIT E

	<u>State Assessment Agency Fund</u>	<u>Police & Fire Retirement Trust Fund</u>	<u>Self-Insurance Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 78,496	\$ 130,454	\$ 261,905
Investments	-	-	520,288
Due from other governments	32,731	5,871	-
Due from other funds	-	110,069	-
Total assets	<u>\$ 111,227</u>	<u>\$ 246,394</u>	<u>\$ 782,193</u>
LIABILITIES			
Hospitalization insurance	\$ -	\$ -	\$ 782,193
Due to other governments	54,833	236,859	-
Due to other funds	-	9,535	-
Other liabilities	56,394	-	-
Total liabilities	<u>\$ 111,227</u>	<u>\$ 246,394</u>	<u>\$ 782,193</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, 2020**

EXHIBIT F

	Police & Fire Retirement Trust Fund
<i>ADDITIONS</i>	
General property taxes: current	\$ 806,803
General property taxes: delinquent	2,400
Penalties & interest	5,609
Homestead exemption reimbursement	28,367
	<hr/>
Total additions	843,179
	<hr/>
<i>DEDUCTIONS</i>	
General government	
Transfers to PERS	843,179
Total deductions	843,179
	<hr/>
<i>CHANGES IN NET POSITION</i>	-
	<hr/>
<i>NET POSITION - BEGINNING</i>	-
	<hr/>
<i>NET POSITION - ENDING</i>	\$ -
	<hr/>

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, 2020

EXHIBIT G

	Public Utility Bond	Public Utility	Solid Waste	Other Proprietary Funds	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,427,226	\$ 1,113,247	\$ 724,650	\$ 1,091,415	\$ 5,356,538
Investments	2,498,771	6,016,225	-	-	8,514,996
Accounts receivable	-	2,590,535	390,554	29,232	3,010,321
Allowance for doubtful accounts	-	(1,317,924)	(273,485)	-	(1,591,409)
Due from other funds	-	1,381,734	618,162	1,290,498	3,290,394
Prepaid assets	-	-	3,296	-	3,296
Total current assets	4,925,997	9,783,817	1,463,177	2,411,145	18,584,136
NON-CURRENT ASSETS					
Capital assets:					
Buildings & infrastructure	-	89,124,105	-	-	89,124,105
Equipment	-	-	1,559,509	-	1,559,509
Construction in Progress	37,100	-	-	-	37,100
Less accumulated depreciation	-	(61,511,386)	(1,290,948)	-	(62,802,334)
Net non-current assets	37,100	27,612,719	268,561	-	27,918,380
Total assets	4,963,097	37,396,536	1,731,738	2,411,145	46,502,516
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	143,895	-	143,895
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	159,526	625,913	302,363	18,670	1,106,472
Bank overdraft	-	-	-	-	-
Accrued interest	-	62,400	-	-	62,400
Customer deposits	-	706,118	-	-	706,118
Due to other funds	150,023	24,811	21,242	667,857	863,933
G. O. bonds payable	-	585,000	-	-	585,000
Revenue bonds payable	-	315,000	-	-	315,000
Notes payable	-	1,205,963	65,044	-	1,271,007
Total current liabilities	309,549	3,525,205	388,649	686,527	4,909,930
NON-CURRENT LIABILITIES					
Compensated absences payable	-	-	24,352	-	24,352
G. O. bonds payable	-	5,730,000	-	-	5,730,000
Revenue bonds payable	-	8,280,000	-	-	8,280,000
Notes payable (net of current portion)	-	11,221,887	238,983	-	11,460,870
Net pension liability	-	-	1,777,051	-	1,777,051
Total non-current liabilities	-	25,231,887	2,040,386	-	27,272,273
Total liabilities	309,549	28,757,092	2,429,035	686,527	32,182,203
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	-	119,794	-	119,794
NET POSITION					
Invested in capital assets, net of related debt	37,100	274,869	(35,466)	-	276,503
Unrestricted	4,616,448	8,364,575	(637,730)	1,724,618	14,067,911
Total net position	4,653,548	8,639,444	(673,196)	1,724,618	14,344,414
Total liabilities and net position	\$ 4,963,097	\$ 37,396,536	\$ 1,875,633	\$ 2,411,145	\$ 46,646,411

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, 2020**

EXHIBIT H

	Public Utility Bond	Public Utility	Solid Waste	Other Proprietary Funds	Total
OPERATING REVENUES					
Water sales	\$ -	\$ 4,920,064	\$ -	\$ -	\$ 4,920,064
Sewer fees and surcharges	-	6,362,314	-	-	6,362,314
Water and sewer connections	-	34,503	-	-	34,503
Sanitation charges	-	-	1,570,029	-	1,570,029
Other charges	-	97,461	-	-	97,461
Total operating revenues	-	11,414,342	1,570,029	-	12,984,371
OPERATING EXPENSES					
Contract Services:					
Supplies	-	879,506	-	-	879,506
Services and charges	-	5,311,361	-	-	5,311,361
Depreciation	-	1,984,908	-	-	1,984,908
Total contracting services	-	8,175,775	-	-	8,175,775
Finance:					
Personnel services	-	185,346	-	-	185,346
Supplies	-	150,904	-	-	150,904
Services and charges	-	1,082,754	-	-	1,082,754
Total finance	-	1,419,004	-	-	1,419,004
Public Works:					
Personnel services	-	-	957,561	-	957,561
Supplies	-	-	181,781	-	181,781
Services and charges	-	-	722,779	-	722,779
Depreciation	-	-	145,005	966,867	1,111,872
Total public works	-	-	2,007,126	966,867	2,973,993
Total operating expenses	-	9,594,779	2,007,126	966,867	12,568,772
Operating income	-	1,819,563	(437,097)	(966,867)	415,599
NON-OPERATING REVENUES (EXPENSES)					
Interest revenue	98,005	307,524	-	-	405,529
Insurance Proceeds	-	593,075	-	-	593,075
Other non-operating revenues	-	48,840	-	160,775	209,615
Sale of property	-	332	(1,949)	-	(1,617)
Transfers in	3,150,370	1,220,626	346,829	1,000,000	5,717,825
Transfers out	-	(4,200,370)	-	(991,788)	(5,192,158)
Unrealized gain (loss) on investments	(58,473)	(104,749)	-	-	(163,222)
Interest and fiscal charges	(146,218)	(543,868)	(3,629)	-	(693,715)
Total non-operating revenues (expenses)	3,043,684	(2,678,590)	341,251	168,987	875,332
Change in net position	3,043,684	(859,027)	(95,846)	(797,880)	1,290,931
Total net position- beginning	1,609,864	9,498,471	(577,350)	2,522,498	13,053,483
Total net position - ending	\$ 4,653,548	\$ 8,639,444	\$ (673,196)	\$ 1,724,618	\$ 14,344,414

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, 2020**

EXHIBIT I

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 12,902,900
Cash paid to suppliers	(7,746,604)
Cash paid to employees	(1,042,877)
Net cash flows from operating activities	<u>4,113,419</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from other funds	8,292,085
Transfers to other funds	(7,766,418)
Short-term interfund loans	(84,091)
Cash received from United Water contract	160,775
Other non operating revenue(expenses)	640,298
Repayment of bank overdraft	(1,445,769)
Net cash provided by noncapital financing activities	<u>(203,120)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on long-term debt	(1,924,399)
Proceeds from issuance of long-term debt	5,336,029
Purchase of fixed assets	(2,391,306)
Interest paid on long-term debt	(693,715)
Net cash used by capital and related financing activities	<u>326,609</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	405,529
Proceeds from the sale of investments	150,000
Purchases of investments	(109,117)
Net cash used by investing activities	<u>446,412</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

4,683,320

CASH AND CASH EQUIVALENTS - OCTOBER 1

673,218

CASH AND CASH EQUIVALENTS - SEPTEMBER 30

\$ 5,356,538

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

OPERATING INCOME	\$ 415,599
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ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation expense	3,096,780
(Increase) decrease in accounts receivables, net of allowances	(95,966)
(Increase) decrease in prepaid assets	46
Deferred outflows related to pensions	(86,562)
Increase (decrease) in accounts payable and other accrued liabilities	582,435
Increase (decrease) in customer deposits	14,495
Change in net pension liability	143,837
Deferred inflows related to pensions	42,755

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 4,113,419

NON CASH TRANSACTIONS

Unrealized gain (loss) on investments	<u>\$ (163,222)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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

E. Encumbrances.

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

F. Assets, Liabilities, and Net position

Cash and cash equivalents

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

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

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

Receivables and payables

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2020

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

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

Due from other Governments

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

Inventories and prepaid items

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

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

Capital assets

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

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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, 2020

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, 2020

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, 2020, the City's combined tax rate for general governmental services and other municipal purposes was 112.34 mills or \$112.34 per \$1,000 of assessed valuation expressed as follows:

General Fund	17.49
Special Revenue Fund (Recreation)	4.90
Street Improvement Fund	4.00
Debt Service Fund	12.50
Firemen and Police Disability and Relief Fund	4.46
Laurel Municipal Separate School District	68.99
Total Mills	<u>112.34</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, 2020

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

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

Use of estimates

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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

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

Cash and Cash Equivalents

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, fiduciary funds, and enterprise funds was \$9,747,031, including cash equivalents of \$466,877, and bank overdraft of \$5,213,796. The bank balance was \$9,351,355.

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, 2020, none of the City's bank balance of \$9,351,355 was exposed to custodial credit risk.

Investments

As of September 30, 2020, 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	\$ 9,196,415
Mortgage Backed Securities	More than 10 years	2,610,644
Municipal Obligations	More than 6 years	2,707,633
Agency Obligations	More than 6 years	11,503,112
United States Government Obligations	Less than 1 year	2,409,174
Total		<u>\$ 28,426,978</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

Note 2 – Cash and Cash Equivalents 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, 2020, 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, 2020.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total Investment</u>	<u>Fair Value Hierarchy</u>
Asset Backed Securities	\$ 9,196,415	32.35%	Level 1
Mortgage Backed Securities	2,610,644	9.18%	Level 1
Municipal Obligations	2,707,633	9.52%	Level 1
Agency Obligations	11,503,112	40.47%	Level 1
United States Government Obligations	2,409,174	8.47%	Level 1
Total	<u>\$28,426,978</u>	<u>100.00%</u>	

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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	\$ 23,648,435	\$ 21,283,592	\$ 2,364,843
Cemetery	15,185	-	15,185
Other	464,737	-	464,737
Total	<u>\$ 24,128,357</u>	<u>\$ 21,283,592</u>	<u>\$ 2,844,765</u>
Proprietary Funds			
Water and Sewer	\$ 2,590,535	\$ 1,317,924	\$ 1,272,611
Solid Waste	390,554	273,485	117,069
Other	29,232	-	29,232
Total	<u>\$ 3,010,321</u>	<u>\$ 1,591,409</u>	<u>\$ 1,418,912</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	\$ 648
	Other Governmental Funds	202,394
	Solid Waste	346,829
Recreation Fund	Other Governmental Funds	50,000
Bond and Interest Retirement Fund	Public Utility	228,838
Tourism Bond 1996 Fund	Recreation Fund	610,000
Tourism Bond 1998 Fund	Recreation Fund	500,000
Public Utility Fund	General Fund	50,000
	Public Utility Bonds Fund	3,150,370
	Other Proprietary Funds	1,000,000
Other Proprietary Funds	Public Utility Fund	991,788
Total		<u>\$ 7,130,867</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, 2020**

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
	Police & Fire Retirement Trust Fund	9,535
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	141,679
	Street Improvement Fund	114,652
Public Utility Fund	General Fund	538,921
	Bond and Interest Retirement Fund	25,281
	Public Utility Bond Fund	128,433
	Other Proprietary Funds	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
Police & Fire Retirement Trust Fund	Bond and Interest Retirement Fund	110,069
		<u>\$ 4,232,914</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, 2020**

Note 5 – Capital Assets

Capital asset activity in the governmental funds for the year ended September 30, 2020 was as follows:

Governmental activities:

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Prior Period Adjustments</u>	<u>Balance 9/30/2020</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 887,520	\$ -	\$ -	\$ -	\$ -	\$ 887,520
Construction in progress	3,102,674	6,252,298	-	(4,011,818)	-	5,343,154
Total non-depreciable capital assets	<u>3,990,194</u>	<u>6,252,298</u>	<u>-</u>	<u>(4,011,818)</u>	<u>-</u>	<u>6,230,674</u>
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	72,704,082	-	-	4,011,818	-	76,715,900
Furniture and mobile equipment	9,232,409	323,136	(163,859)	-	-	9,391,686
Total depreciable capital assets	<u>81,936,491</u>	<u>323,136</u>	<u>(163,859)</u>	<u>4,011,818</u>	<u>-</u>	<u>86,107,586</u>
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	27,527,093	1,994,216	-	-	-	29,521,309
Furniture and mobile equipment	5,820,519	543,086	(141,557)	-	-	6,222,048
Total accumulated depreciation	<u>33,347,612</u>	<u>2,537,302</u>	<u>(141,557)</u>	<u>-</u>	<u>-</u>	<u>35,743,357</u>
Total depreciable capital assets, net	<u>48,588,879</u>	<u>(2,214,166)</u>	<u>(22,302)</u>	<u>4,011,818</u>	<u>-</u>	<u>50,364,229</u>
Governmental activities capital assets, net	<u>\$ 52,579,073</u>	<u>\$ 4,038,132</u>	<u>\$ (22,302)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,594,903</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

Note 6 – Capital Assets (Cont.)

Capital asset activity in the proprietary funds for the year ended September 30, 2020 was as follows:

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Balance 9/30/2020</u>
<u>Non-depreciable capital assets:</u>					
Construction in progress	\$ 4,761,041	\$ 1,605,359	\$ -	\$ (6,329,299)	\$ 37,101
<u>Depreciable capital assets:</u>					
Buildings and Infrastructure	78,820,221	8,365	-	6,329,299	85,157,885
Furniture and mobile equipment	4,748,147	810,206	(32,624)	-	5,525,729
Total depreciable capital assets	<u>83,568,368</u>	<u>818,571</u>	<u>(32,624)</u>	<u>6,329,299</u>	<u>90,683,614</u>
<u>Less accumulated depreciation for:</u>					
Buildings and Infrastructure	57,909,871	1,781,698	-	-	59,691,569
Furniture and mobile equipment	2,995,122	145,005	(29,361)	-	3,110,766
Total accumulated depreciation	<u>60,904,993</u>	<u>1,926,703</u>	<u>(29,361)</u>	<u>-</u>	<u>62,802,335</u>
Total depreciable capital assets, net	<u>22,663,375</u>	<u>(1,108,132)</u>	<u>(3,263)</u>	<u>6,329,299</u>	<u>27,881,279</u>
Proprietary activities capital assets, net	<u>\$ 27,424,416</u>	<u>\$ 497,227</u>	<u>\$ (3,263)</u>	<u>\$ -</u>	<u>\$ 27,918,380</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

Note 6 – Capital Assets (Cont.)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 1,256,095
Public Safety	379,138
Public Works	722,944
Health and Welfare	3,049
Culture and Recreation	176,076
	<u>\$ 2,537,302</u>

Depreciation expense charged to the Public Utility and Solid Waste Funds amounted to \$1,926,703 for the year ended September 30, 2020.

Commitments under construction contracts at September 30, 2020 are summarized as follows:

<u>Projects Under Contract</u>	<u>Amount Spent to Date</u>	<u>Required Future Financing</u>
<u>Governmental</u>		
Beacon Corridor	\$ 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>
<u>Proprietary</u>		
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, 2020

Note 7 – Long-term Liabilities

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

Debt Type	Balance 10-1-2019	Additions	Reductions	Balance 9-30-2020	Amounts Due Within One Year
General Obligation Bonds	\$ 16,805,000	\$ 4,500,000	\$ 1,250,000	\$ 20,055,000	\$ 1,169,000
Notes from Direct Borrowings	6,777,986	-	893,998	5,883,988	894,699
Obligations under Capital Lease	1,264,399	-	278,543	985,856	359,329
Obligations under Energy Efficiency Lease	2,667,134	-	90,000	2,577,134	83,020
Compensated Absences	275,755	1,915	-	277,670	-
Total	<u>\$ 27,790,274</u>	<u>\$ 4,501,915</u>	<u>\$ 2,512,541</u>	<u>\$ 29,779,648</u>	<u>\$ 2,506,048</u>

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

Debt Type	Balance 10-1-2019	Additions	Reductions	Balance 9-30-2020	Amounts Due Within One Year
General Obligation Bonds	\$ 8,120,000	\$ -	\$ 550,000	\$ 7,570,000	\$ 585,000
Revenue Bonds	2,500,000	5,000,000	160,000	7,340,000	315,000
Notes from Direct Borrowings	13,039,224	-	1,047,849	11,991,375	1,067,323
Obligations under Capital Lease	571,023	336,029	166,550	740,502	203,685
Compensated Absences	20,491	3,861	-	24,352	-
Total	<u>\$ 24,250,738</u>	<u>\$ 5,339,890</u>	<u>\$ 1,924,399</u>	<u>\$ 27,666,229</u>	<u>\$ 2,171,007</u>

The annual requirements to amortize bond, note principal, and capital leases outstanding for all funds as of September 30, 2020, are as follows:

Year Ended September 30	GO/Revenue Bonds	Interest	Notes Payable	Interest	Capital Leases	Interest	Energy Efficiency Lease	Interest
2021	\$ 2,069,000	810,435	1,962,022	372,081	563,014	45,171	83,020	93,429
2022	2,517,000	759,538	1,877,450	329,383	272,722	31,812	89,669	90,440
2023	2,548,000	702,020	1,883,480	303,750	280,513	24,022	96,667	87,212
2024	2,474,000	644,010	1,727,906	245,712	125,862	17,015	104,030	83,732
2025	2,211,000	589,644	1,625,511	202,278	79,169	17,093	111,774	79,987
2026-2030	12,267,000	2,685,751	5,770,324	555,544	241,272	46,887	689,640	333,486
2031-2035	6,429,000	1,042,637	2,889,520	124,879	163,806	9,089	951,295	191,428
2036-2040	4,450,000	286,369	139,150	931	-	-	451,039	25,585
	<u>\$ 34,965,000</u>	<u>\$ 7,520,404</u>	<u>\$ 17,875,363</u>	<u>\$ 2,134,558</u>	<u>\$ 1,726,358</u>	<u>\$ 191,089</u>	<u>\$ 2,577,134</u>	<u>\$ 985,299</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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%	\$ 20,055,000
Proprietary	1.0-3.0%	14,910,000
Total General Obligation Bonds		<u>\$ 34,965,000</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>
2021	\$ 1,169,000	\$ 469,761	\$ 900,000	\$ 340,675
2022	1,582,000	434,810	935,000	324,728
2023	1,573,000	400,986	975,000	301,035
2024	1,469,000	367,974	1,005,000	276,036
2025	1,471,000	335,504	740,000	254,140
2026-2030	7,547,000	1,134,040	4,720,000	962,068
2030-2031	3,004,000	438,397	3,425,000	430,924
2036-2040	2,240,000	172,650	2,210,000	113,720
	<u>\$20,055,000</u>	<u>\$ 3,754,122</u>	<u>\$ 14,910,000</u>	<u>\$ 3,003,326</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, 2020**

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	\$ 941,437	\$ 1,411,696	\$ 7,604	\$ 629,090	\$ 79,213
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	\$ 82,741	\$ 105,292	\$ 1,260,000	\$ 111,631	\$ 127,990
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	\$ 110,879	\$ 566,415	\$ 450,000
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, 2020**

Note 7 – Long-term Liabilities (Cont.)

The annual requirements of the notes payable on note principal outstanding for governmental funds as of September 30, 2020, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	646,436	75,431	721,867
2026-2030	1,933,748	117,099	2,050,847
2031-2035	154,588	5,837	160,425
2036-2040	14,452	381	14,833
Total	<u>\$ 5,883,988</u>	<u>\$ 728,476</u>	<u>\$ 6,612,464</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>					
<u>Date of Note</u>	<u>9/19/2003</u>	<u>5/1/2004</u>	<u>7/1/2011</u>	<u>5/1/2012</u>	<u>11/1/2013</u>	<u>11/15/2015</u>
Original Amount	\$ 2,129,452	\$ 4,309,018	\$ 870,373	\$ 4,036,493	\$ 4,958,126	\$ 3,916,079
Unpaid Principal	\$ 512,708	\$ 1,279,170	\$ 514,408	\$ 2,493,720	\$ 4,040,525	\$ 3,048,373
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 \$9,334,117 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, 2020, the future principal and interest requirements for the notes payable totaled \$11,888,904 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, 2020**

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	\$ 60,648	Unpaid Principal	\$ 41,823
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, 2020, are as follows:

Year Ended September 30	Principal	Interest	Total
2021	\$ 1,067,323	\$ 210,014	\$ 1,277,337
2022	1,082,287	190,206	1,272,493
2023	1,073,458	170,273	1,243,731
2024	1,093,026	150,705	1,243,731
2025	979,074	131,847	1,110,921
2026-2030	3,836,576	438,445	4,275,021
2031-2035	2,734,932	119,043	2,853,975
2036-2040	124,699	550	125,249
Total	<u>\$ 11,991,375</u>	<u>\$ 1,411,083</u>	<u>\$ 13,402,458</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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	\$ 297,860
2017 Elgin Street Sweeper	2.39%	6/23/2017	7/31/2020	264,672	-
Ferrara Fire Apparatus/Chassis	3.13%	8/22/2018	8/23/2033	685,704	611,649
Kubota Tractor	3.11%	12/18/2018	12/18/2023	114,380	76,347
Total				<u>\$ 1,557,690</u>	<u>\$ 985,856</u>

The annual requirements of the capital leases outstanding for the governmental funds as of September 30, 2020, are as follows:

Year Ended September 30	Principal	Interest	Total
2021	\$ 359,329	\$ 26,686	\$ 386,015
2022	63,407	18,957	82,364
2023	65,408	16,957	82,365
2024	48,714	15,056	63,770
2025	43,919	13,713	57,632
2026-2030	241,272	46,887	288,159
2031-2036	163,807	9,089	172,896
Total	<u>\$ 985,856</u>	<u>\$ 147,345</u>	<u>\$ 1,133,201</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, 2020 were as follows:

	Governmental Activities
Machinery and equipment	\$ 1,557,690
Less: accumulated depreciation	(414,262)
Total	<u>\$ 1,143,428</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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	\$ 212,106
Backhoe/Excavator	3.11%	12/18/2018	12/18/2023	144,307	96,332
Dump Truck	2.88%	6/5/2019	7/5/2023	213,000	128,038
Garbage Truck & Knuckleboom	2.16%	12/17/2019	12/18/2024	336,029	304,026
Total				<u>\$ 1,036,450</u>	<u>\$ 740,502</u>

The annual requirements of the capital leases outstanding for the proprietary funds as of September 30, 2020, are as follows:

Year Ended September 30	Principal	Interest	Total
2021	\$ 203,685	\$ 18,485	\$ 203,685
2022	209,315	12,855	209,315
2023	215,105	7,065	215,105
2024	77,147	1,928	79,075
2025	35,250	381	35,631
Total	<u>\$ 740,502</u>	<u>\$ 40,714</u>	<u>\$ 742,811</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, 2020 were as follows:

	Proprietary Activities
Machinery and equipment	\$ 1,036,450
Less: accumulated depreciation	<u>(198,570)</u>
Total	<u>\$ 837,880</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

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	\$ 2,577,134
Total				<u>\$ 2,807,687</u>	<u>\$ 2,577,134</u>

Year ended September 30	Principal	Interest	Total
2021	\$ 83,020	\$ 93,429	\$ 176,449
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	665,418	50,192	715,610
Total	<u>\$ 2,577,134</u>	<u>\$ 985,299</u>	<u>\$ 3,562,433</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, 2020

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 2020, 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, 2020, 2019 and 2018 were \$988,572, \$924,772 and \$719,601 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, 2020, 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, 2020, 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, 2020, 2019 and 2018 were \$1,633,887, \$1,539,056 and \$1,430,801, 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, 2020, the City reported a liability of \$32,253,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, The City's proportion was .142098 percent.

For the year ended September 30, 2020, the City recognized pension expense of \$2,732,836.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

Note 8 - Defined Benefit Pension Plan (Cont.)

At September 30, 2020, 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	\$ 224,102	\$ 14,685	\$ -	\$ 238,787
Net difference between projected and actual earnings on pension plan investments	1,168,021	76,541	-	1,244,562
Changes in assumptions	229,048	15,010	115,061	359,119
Changes in proportion and difference between contributions	164,859	10,803	-	
City's contributions subsequent to the measurement date	409,825	26,856	73,712	510,393
Total	<u>\$ 2,195,855</u>	<u>\$ 143,895</u>	<u>\$ 188,773</u>	<u>\$ 2,528,523</u>

	Deferred Inflows of Resources			
	PERS		MMRS	Total
	Governmental Activities	Business-Type Activities	Governmental Activities	
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and difference between contributions	1,828,074	119,794	-	1,947,868
Total	<u>\$ 1,828,074</u>	<u>\$ 119,794</u>	<u>\$ -</u>	<u>\$ 1,947,868</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

Note 8 - Defined Benefit Pension Plan (Cont.)

\$510,393 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, 2020.

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>
2021	\$ (697,038)	\$ (8,522)	\$ (705,560)
2022	(130,546)	40,474	(90,072)
2023	303,256	43,856	347,112
2024	479,529	39,253	518,782
Total	<u>\$ (44,799)</u>	<u>\$ 115,061</u>	<u>\$ 70,262</u>

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 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, 2020**

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	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	-
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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	\$ 35,606,401	\$ 27,508,522	\$ 20,824,517
City's proportionate share of the net pension liability – MMRS	\$ 5,441,727	\$ 4,744,704	\$ 4,139,262

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, 2020

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, 2020**

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, 2020 amounts to \$482,506. 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, 2020.

	<u>15 Percent</u>	<u>20 Percent</u>
Authorized Debt Limit:		
Assessed valuation for fiscal year end September 30, 2020 (\$191,591,095)	\$ 28,738,664	\$ 38,318,219
Present debt subject to debt limits	<u>(20,055,000)</u>	<u>(32,786,877)</u>
Margin for further indebtedness	<u>\$ 8,683,664</u>	<u>\$ 5,531,342</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, 2020

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 \$135,000. Complete financial statements for the Laurel – Jones County Library can be obtained from the Laurel – Jones County Library, 530 Commerce Street, Laurel, MS 39440.

The City of Laurel, 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, 2020

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 2020. 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 2020 and 2019, the City shared \$240,521 and \$164,422, 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)	\$ 6,101,056	\$ 376,736
Accrued Revenues	(1,590,741)	202
Accrued Expenses	1,535,339	(71,959)
Fund balance (GAAP basis), Sept. 30:	<u>\$ 6,045,654</u>	<u>\$ 304,979</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, 2020, the City abated property taxes totaling \$1,145,738 under this program for four separate manufacturing enterprises.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2020**

Note 18 – Deficit Fund Balances

The City had the following deficit fund balances at September 30, 2020. The deficits will be financed through future revenues or transfers.

	<u>Fund Balance</u>
Capital Improvements Project Fund	\$ (166,900)
Solid Waste Fund	<u>(673,196)</u>
	<u>\$ (840,096)</u>

In connection with the application of standards on accounting and financial reporting for pensions, Solid Waste Fund has incurred a negative fund balance.

Note 19 – COVID-19 Pandemic

The Coronavirus (COVID-19) pandemic broke out in March 2020, resulting in the government mandating stay-at-home orders until further notice, except for essential businesses. The City is considered an essential business, and operations from the City have not shown signs of decline due to the pandemic. The related financial impact and duration cannot be reasonably estimated at this time.

Note 20 – Insurance Loss Recoveries

The City of Laurel, Mississippi received \$1,020,303 in insurance loss recoveries related to tornado and hail damage during the 2019-2020 fiscal year.

Insurance Loss Recoveries	Percentage	Expense Function
\$ 376,722	37%	General Government
50,506	5%	Culture & Recreation
593,075	58%	Contract Services
<u>\$ 1,020,303</u>	<u>100%</u>	

Note 21 – 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. The board approved issuance of General Obligation Bonds not to exceed \$12,850,000. Management of the City of Laurel, Mississippi evaluated the activity of the city through February 15, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUREL, MISSISSIPPI

**Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2020**

Schedule 1a

				Variances	
	Original	Final	Actual	Positive (Negative)	
	Budget	Budget	Budgetary	Original	Final
			Basis	to Final	to Actual
REVENUES					
General property taxes	\$ 3,363,201	\$ 3,363,201	\$ 3,145,095	\$ -	\$ (218,106)
Homestead exemption	-	-	111,343	-	111,343
Licenses and permits	208,700	208,700	324,958	-	116,258
Franchise taxes on utilities	1,951,000	1,951,000	1,849,421	-	(101,579)
Intergovernmental revenue	-	-	88,011	-	88,011
Gas & oil severance tax	14,000	14,000	9,844	-	(4,156)
State shared revenues	43,026	43,026	63,387	-	20,361
Federal grants	-	23,406	23,406	23,406	-
Local revenues	500,000	500,000	500,000	-	-
General sales taxes	9,032,000	9,032,000	9,298,928	-	266,928
Charges for services	144,300	144,300	97,279	-	(47,021)
Fines and forfeitures	500,000	500,000	470,100	-	(29,900)
Interest	25,000	25,000	108,410	-	83,410
Rents	96,500	96,500	98,524	-	2,024
Other revenues	5,000	8,532	10,012	3,532	1,480
Total revenues	15,882,727	15,909,665	16,198,718	26,938	289,053
EXPENDITURES					
General government	3,873,847	4,069,194	3,839,745	(195,347)	229,449
Public safety	8,880,814	9,098,526	8,564,209	(217,712)	534,317
Public works	1,677,677	1,733,930	1,404,893	(56,253)	329,037
Health & welfare	391,434	424,435	396,751	(33,001)	27,684
Economic Development	782,205	827,205	817,217	(45,000)	9,988
Capital outlay	-	730,677	303,784	(730,677)	426,893
Debt service	238,322	337,937	337,529	(99,615)	408
Total expenditures	15,844,299	17,221,904	15,664,128	(1,377,605)	1,557,776
Excess (deficiency) of revenues over expenditures	38,428	(1,312,239)	534,590	(1,350,667)	1,846,829
OTHER FINANCING SOURCES (USES)					
Insurance/Legal settlements	-	376,139	381,899	(376,139)	5,760
Unrealized Gain/Loss Investment	-	-	(5,597)	-	(5,597)
Loan proceeds	-	-	-	-	-
Sale of property	-	95,967	96,767	(95,967)	800
Operating transfers in	50,000	50,000	50,000	-	-
Operating transfers out	(63,500)	(556,928)	(549,869)	(493,428)	7,059
Total other financing sources (uses)	(13,500)	(34,822)	(26,800)	(965,534)	8,022
	24,928	(1,347,061)	507,790	(2,316,201)	1,854,851
Fund balances - beginning (Non-GAAP Budgetary Basis)			5,593,266		
Fund balances - ending (Non-GAAP Budgetary Basis)			\$ 6,101,056		

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, 2020**

Schedule 1b

				Variances Positive (Negative)	
	Original Budget	Final Budget	Actual Budgetary Basis	Original to Final	Final to Actual
REVENUES					
General property taxes	\$ 919,200	\$ 919,200	\$ 882,155	\$ -	\$ (37,045)
Homestead exemption	-	-	31,182	-	31,182
Intergovernmental revenues	-	18,000	18,000		
Charges for services	263,400	263,400	148,495	-	(114,905)
Other revenues	-	36,383	36,383	36,383	-
Total revenues	<u>1,182,600</u>	<u>1,236,983</u>	<u>1,116,215</u>	<u>36,383</u>	<u>(120,768)</u>
EXPENDITURES					
General government	423,114	423,114	369,372	-	53,742
Culture & recreation	1,810,114	1,833,991	1,709,754	(23,877)	124,237
Debt service	7,986	7,986	-	-	7,986
Capital outlay	-	92,418	96,055	(92,418)	(3,637)
Total expenditures	<u>2,241,214</u>	<u>2,357,509</u>	<u>2,175,181</u>	<u>(116,295)</u>	<u>182,328</u>
Excess (deficiency) of revenues over expenditures	<u>(1,058,614)</u>	<u>(1,120,526)</u>	<u>(1,058,966)</u>	<u>(79,912)</u>	<u>61,560</u>
OTHER FINANCING SOURCES (USES)					
Legal Settlements/Ins Proceeds	-	50,506	50,506		
Operating transfers in	1,110,000	1,110,000	1,110,648	-	648
Operating transfers out	(50,000)	(50,000)	(50,000)	-	-
Total other financing sources (uses)	<u>1,060,000</u>	<u>1,110,506</u>	<u>1,111,154</u>	<u>-</u>	<u>648</u>
	<u>1,386</u>	<u>(10,020)</u>	<u>52,188</u>	<u>(79,912)</u>	<u>62,208</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)			<u>324,548</u>		
Fund balances - ending (Non-GAAP Budgetary Basis)			<u>\$ 376,736</u>		

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

City of Laurel, Mississippi

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

PERS

Last 10 Fiscal Years*

		2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	%	0.142098	0.143713	0.142302	0.143466	0.14393	0.148172
City's proportionate share of the net pension liability	\$	27,508,522	25,281,952	23,669,050	23,848,918	25,709,492	23,187,042
City's covered payroll		9,390,156	9,509,653	9,432,610	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		292.95%	265.86%	250.93%	259.75%	280.50%	329.61%
Plan fiduciary net position as a percentage of the total pension liability		58.97%	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

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,633,887	\$ 1,539,056	\$ 1,430,801	\$ 1,446,082	\$ 1,443,559	\$ 1,107,949
Contributions in relation to the contractually required contribution	<u>\$ 1,633,887</u>	<u>\$ 1,539,056</u>	<u>\$ 1,430,801</u>	<u>\$ 1,446,082</u>	<u>\$ 1,443,559</u>	<u>\$ 1,107,949</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	9,390,156	9,512,505	9,084,451	9,181,473	9,165,454	7,034,597
	17.40%	16.18%	15.75%	15.75%	15.75%	15.75%

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 Changes in Net Position Liability

MRS

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Interest	\$ 690,152	\$ 725,639	\$ 771,868	\$ 788,851	\$ 855,096	\$ 833,652
Differences between expected and actual experience	(114,144)	(155,468)	(331,660)	25,729	21,309	(313,107)
Changes of assumptions	-	(21,750)	-	35,157	324,098	-
Benefit payments, including refunds of employee contributions	(992,061)	(1,020,571)	(1,052,849)	(1,084,891)	(1,152,454)	(1,112,353)
Net change in total pension liability	(416,053)	(472,150)	(612,641)	(235,154)	48,049	(591,808)
Total pension liability - beginning	9,401,218	9,873,368	10,486,009	10,721,163	11,264,922	11,312,971
Total pension liability - ending (a)	<u>\$ 8,985,165</u>	<u>\$ 9,401,218</u>	<u>\$ 9,873,368</u>	<u>\$ 10,486,009</u>	<u>\$ 11,312,971</u>	<u>\$ 10,721,163</u>
Plan fiduciary net position						
Contributions- employer	\$ 814,708	\$ 787,708	\$ 764,620	\$ 597,342	\$ 1,068,848	\$ 994,419
Contributions- member	-	-	-	-	-	-
Net investment income	129,814	297,095	332,664	549,865	136,278	16,591
Benefit payments, including refunds of employee contributions	(992,061)	(1,020,571)	(1,052,849)	(1,084,891)	(1,152,454)	(1,112,353)
Administrative expense	(16,294)	(15,754)	(15,292)	(11,947)	(21,377)	(19,888)
Other	-	1,055	(389)	(8,105)	-	40,358
Net change in plan fiduciary net position	(63,833)	49,533	28,754	42,264	31,295	(80,873)
Plan net position - beginning	4,304,294	4,254,761	4,226,007	4,183,743	4,233,321	4,264,616
Plan net position - ending (b)	<u>\$ 4,240,461</u>	<u>\$ 4,304,294</u>	<u>\$ 4,254,761</u>	<u>\$ 4,226,007</u>	<u>\$ 4,264,616</u>	<u>\$ 4,183,743</u>
Net pension liability (asset) - ending (a) - (b)	\$ 4,744,704	\$ 5,096,924	\$ 5,618,607	\$ 6,260,002	\$ 7,048,355	\$ 6,537,420
Plan fiduciary net position as a percentage of the total pension liability	47.19%	45.78%	43.09%	40.30%	37.70%	39.02%
Covered payroll*	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll*	N/A	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 814,708	\$ 787,708	\$ 764,620	\$ 597,342	\$ 994,419	\$ 1,068,848
Contributions in relation to the contractually required contribution	<u>814,708</u>	<u>787,708</u>	<u>764,620</u>	<u>597,342</u>	<u>994,419</u>	<u>1,068,848</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	N/A	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	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 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, 2020

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, 2020

- 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, 2020 were based on the June 30, 2018 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	Market value of assets
Inflation	3.00%
Salary increases	3.25 – 4.75%, including inflation
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

CITY OF LAUREL
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<u>Department of Transportation</u>			
Passed-through MS Department of Transportation Highway Planning and Construction	20.205	MS DEPT OF TRANSPORTATION ,STP-8100-00(001)	\$ 271,353
<i>Total Passed-through MS Department of Transportation</i>			271,353
Corporation for National and Community Service AmeriCorps	94.006	N/A	120,482
<i>Total Department of Transportation</i>			391,835
<u>Department of Homeland Security</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	42,354
Assistance to Firefighters Grant	97.044	N/A	47,191
<i>Total Department of Homeland Security</i>			89,545
<u>Department of the Interior</u>			
Historic Preservation Fund Grants-In-Aid	15.904	N/A	7,500
Outdoor Recreation Acquisition, Development and Planning	15.916	N/A	120,000
<i>Total Department of the Interior</i>			127,500
<u>United States Department of Justice</u>			
Passed-through MS Department of Health Violence Against Women Formula Grants	16.588	MS DEPT OF HEALTH,oaiv-sfy- 2020-01	43,639
<i>Total Passed-through MS Department of Health</i>			43,639
<i>Total Department of Justice</i>			43,639
<u>Department of Housing and Urban Development</u>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	MS DEVELOPMENT AUTHORITY,1134- 18-228-PF.01	95,900
<i>Total Department of Housing and Urban Development</i>			95,900
<u>Department of the Treasury</u>			
Passed-through MS Emergency Management Agency Coronavirus Relief Fund	21.019	MS Emergency Management Agency, 067-39640- 00	434,244
<i>Total Passed-through MS Emergency Management Agency</i>			434,244
<i>Total Department of Treasury</i>			434,244
<i>Total Expenditures of Federal Awards</i>			\$ 1,182,663

The accompanying notes are an integral part of this schedule.

CITY OF LAUREL, MISSISSIPPI

Notes to the Supplemental Information Year Ended September 30, 2020

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Laurel, Mississippi under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Laurel, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Laurel, Mississippi.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The City of Laurel, Mississippi has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LAUREL, MISSISSIPPI

**Schedule of Surety Bonds for Municipal Officials
Year Ended September 30, 2020**

Position	Insurance Company	Coverage
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

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2020, 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 15, 2021.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. Finding 2020-001.

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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 15, 2021



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

Members of the City Council
City of Laurel, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Laurel, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the year ended September 30, 2020. City of Laurel, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Laurel, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Laurel, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Laurel, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Laurel, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

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Report on Internal Control Over Compliance

Management of City of Laurel, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Laurel, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Laurel, Mississippi's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Holt & Associates, PLLC

Laurel, MS

February 15, 2021

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



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Julie M. Uher, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

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

We have audited the basic financial statements of the City of Laurel, Mississippi as of and for the year ended September 30, 2020, and have issued our report thereon dated February 15, 2021. 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 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 transfers 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. Furthermore, the deficit in the Solid Waste Fund is due to adjustments for net pension liability.

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

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

Holt & Associates, PLLC

Laurel, Mississippi
February 15, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF LAUREL, MISSISSIPPI

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2020**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
21.019	Coronavirus Relief Fund

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (Yes/No) | No |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |

CITY OF LAUREL, MISSISSIPPI

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2020**

Section II: Financial Statement Findings

Material Weakness:

Finding 2020-001

Criteria: At the present time, there is no procedure for reconciling terminated employees to the City's benefit plan on a regular basis.

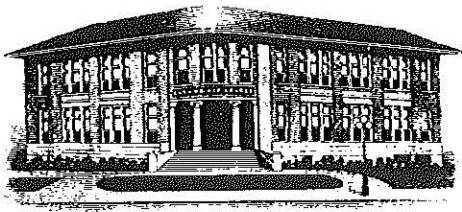
Condition: While performing audit procedures for payroll, we noted several terminated employees that were not timely removed from the City's benefit plan.

Cause: Although the City maintains a listing of terminated employees, the list was not being utilized to remove terminated employees from the City provided health insurance policy.

Effect: The termination listing not being reconciled to the benefit plan timely results in an overpayment by the City for benefit premiums and claims paid on terminated employees.

Recommendation: We recommend that the City reconcile the termination listing to the benefit plan on a timely basis.

**CITY OF LAUREL, MISSISSIPPI
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2020**



Post Office Box 647
Laurel, Mississippi 39441

AUDITEE'S CORRECTIVE ACTION PLAN

The City of Laurel, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2020:

Finding:	Corrective Action Plan Details:
2020-01:	Name of Contact Person Responsible for Corrective Action:
	Mary Ann Hess, Finance Director (601) 428-6430

Corrective Action Planned:
New procedures have been implemented to reconcile monthly insurance statements to determine that terminated employees have been removed from all employer-provided benefits.

Anticipated Completion Date:
Immediately