

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2022**

**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2022**

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**CITY OF LAUREL, MISSISSIPPI**

**Audited Financial Statements  
Year Ended September 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinions***

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, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Laurel, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Laurel, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurel, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Laurel, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 7-16 and 73-79, 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 October 10, 2023, on our consideration of the City of Laurel, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Laurel, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laurel, Mississippi's internal control over financial reporting and compliance.

*Holt & Associates, PLLC*

Laurel, MS  
October 10, 2023

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



## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2022**

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, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2022 were as follows:

- Total net position increased by \$3,510,478, including a prior period adjustment of (\$1,840,340), or 7% from 2021
- Total assets increased by \$8,352,915 or 6% from 2021
- Total liabilities increased by \$10,837,482 or 12% from 2021. The increase is due primarily to the change in net pension liability.
- In total, equity in pooled cash and cash equivalents decreased by \$1,547,498 or 23% from 2021
- Overall, the book value of capital assets increased by \$12,129,655 or 13% from 2021

#### **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 2022?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting 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, 2022**

These two statements report the City's net position and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

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

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

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

The analysis of the City's major funds begins on page 19. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Laurel, Mississippi, the City's major funds are the General Fund, Recreation Fund, Bond and Interest Retirement Fund, Tourism Bond 1996 Fund, Tourism Bond 1998 Fund, Capital Improvements Fund, NRCS Drainage Project Fund, Drainage Bond Fund, Recreation Improvement Fund, MDOT STP Fund, Public Utility Bond Fund, ARPA Project Fund, Public Utility Project Fund, Public Utility Fund, and Solid Waste Fund.

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

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 25 and 26.

## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2022**

#### ***Proprietary Funds***

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27-31. 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 2022 compared to 2021.

Table 2 shows the Changes in Net Position for the years ended September 30, 2022 and 2021.

(See Next Pages for Table 1 and Table 2)

**CITY OF LAUREL, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2022**

**Table 1**

**Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>						
Current and other assets	\$ 33,689,648	\$ 33,211,567	\$ 15,116,423	\$ 19,371,244	\$ 48,806,071	\$ 52,582,811
Capital assets, net	78,417,229	67,592,874	28,198,269	26,892,969	106,615,498	94,485,843
<b>Total assets</b>	<b>\$ 112,106,877</b>	<b>\$ 100,804,441</b>	<b>\$ 43,314,692</b>	<b>\$ 46,264,213</b>	<b>\$ 155,421,569</b>	<b>\$ 147,068,654</b>
<b>DEFERRED OUTFLOWS</b>	<b>\$ 3,330,922</b>	<b>\$ 2,499,156</b>	<b>\$ 32,737</b>	<b>\$ 156,766</b>	<b>\$ 3,363,659</b>	<b>\$ 2,655,922</b>
<b>LIABILITIES</b>						
Current and other liabilities	15,743,903	14,599,055	7,714,495	2,812,746	23,458,398	17,411,801
Long-term liabilities, outstanding:						
Due within one year	2,751,013	2,714,064	2,283,563	2,226,602	5,034,576	4,940,666
Payable after one year	22,602,584	25,095,940	20,974,123	23,260,844	43,576,707	48,356,784
Net pension liability	30,430,356	19,964,949	279,563	1,267,918	30,709,919	21,232,867
<b>Total liabilities</b>	<b>\$ 71,527,856</b>	<b>\$ 62,374,008</b>	<b>\$ 31,251,744</b>	<b>\$ 29,568,110</b>	<b>\$ 102,779,600</b>	<b>\$ 91,942,118</b>
<b>DEFERRED INFLOWS</b>	<b>\$ 5,162,107</b>	<b>\$ 9,959,395</b>	<b>\$ 44,509</b>	<b>\$ 534,529</b>	<b>\$ 5,206,616</b>	<b>\$ 10,493,924</b>
<b>NET POSITION</b>						
Net investment in						
capital assets	53,566,344	40,076,480	9,549,330	1,418,277	63,115,674	41,494,757
Restricted	9,144,590	10,383,930	4,502,059	2,228,954	13,646,649	12,612,884
Unrestricted	(23,963,098)	(19,490,216)	(2,000,213)	12,671,109	(25,963,311)	(6,819,107)
<b>Total net position</b>	<b>\$ 38,747,836</b>	<b>\$ 30,970,194</b>	<b>\$ 12,051,176</b>	<b>\$ 16,318,340</b>	<b>\$ 50,799,012</b>	<b>\$ 47,288,534</b>

**CITY OF LAUREL, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2022**

Table 2

**Change in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 3,171,441	\$ 3,202,329	\$ 13,851,978	\$ 13,749,491	\$ 17,023,419	\$ 16,951,820
Operating grants and contributions	432,585	457,653	-	-	432,585	457,653
Capital grants and contributions	7,958,279	2,471,568	88,510	-	8,046,789	2,471,568
<b>Total program revenues</b>	<b>11,562,305</b>	<b>6,131,550</b>	<b>13,940,488</b>	<b>13,749,491</b>	<b>25,502,793</b>	<b>19,881,041</b>
General Revenues:						
Property taxes	8,197,707	7,610,553	-	-	8,197,707	7,610,553
Other taxes	13,079,284	12,253,670	-	-	13,079,284	12,253,670
Grants and contributions not restricted to specific programs	3,614,314	2,920,291	-	-	3,614,314	2,920,291
Other general revenues	155,623	1,669,308	(550,876)	2,449,026	(395,253)	4,118,334
<b>Total general revenues</b>	<b>25,046,928</b>	<b>24,453,822</b>	<b>(550,876)</b>	<b>2,449,026</b>	<b>24,496,052</b>	<b>26,902,848</b>
<b>Total revenues</b>	<b>36,609,233</b>	<b>30,585,372</b>	<b>13,389,612</b>	<b>16,198,517</b>	<b>49,998,845</b>	<b>46,783,889</b>
<b>PROGRAM EXPENSES</b>						
General government	6,763,837	5,870,591	-	-	6,763,837	5,870,591
Public safety	14,448,478	7,483,546	-	-	14,448,478	7,483,546
Public works	4,470,130	2,018,885	-	-	4,470,130	2,018,885
Health and welfare	383,129	389,841	-	-	383,129	389,841
Culture and recreation	3,455,083	2,450,418	-	-	3,455,083	2,450,418
Economic development	1,355,267	1,328,490	-	-	1,355,267	1,328,490
Water and sewer	-	-	13,050,992	12,902,266	13,050,992	12,902,266
Interest and fiscal charges	721,111	938,764	-	-	721,111	938,764
<b>Total program expenses</b>	<b>31,597,035</b>	<b>20,480,535</b>	<b>13,050,992</b>	<b>12,902,266</b>	<b>44,648,027</b>	<b>33,382,801</b>
<b>Increase in net position before transfers</b>	<b>5,012,198</b>	<b>10,104,837</b>	<b>338,620</b>	<b>3,296,251</b>	<b>5,350,818</b>	<b>13,401,088</b>
Transfers	2,376,830	1,322,325	(2,376,830)	(1,322,325)	-	-
<b>Increase in net position after transfers</b>	<b>7,389,028</b>	<b>11,427,162</b>	<b>(2,038,210)</b>	<b>1,973,926</b>	<b>5,350,818</b>	<b>13,401,088</b>
<b>Net Position - Beginning</b>	<b>30,970,194</b>	<b>19,246,865</b>	<b>16,318,340</b>	<b>14,344,414</b>	<b>47,288,534</b>	<b>33,591,279</b>
Prior Period Adjustment	388,614	296,167	(2,228,954)	-	(1,840,340)	296,167
<b>Net Position - Beginning, as Restated</b>	<b>31,358,808</b>	<b>19,543,032</b>	<b>14,089,386</b>	<b>14,344,414</b>	<b>45,448,194</b>	<b>33,887,446</b>
<b>Net Position - Ending</b>	<b>\$ 38,747,836</b>	<b>\$ 30,970,194</b>	<b>\$ 12,051,176</b>	<b>\$ 16,318,340</b>	<b>\$ 50,799,012</b>	<b>\$ 47,288,534</b>

## CITY OF LAUREL, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2022

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 \$7,777,642, including a prior period adjustment of \$388,614. The net position of the City's business-type activities decreased by \$4,267,164, including prior period adjustment of (\$2,228,954). Overall, the unrestricted net position of the City decreased by \$21,373,158.

By far the largest portion of the City's net position 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)	\$ (25,963,311)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	31,710,521
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,747,210</u>

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

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City received \$10,871,898 in sales tax collections from the State of Mississippi, or 28% of all revenues; revenues from the collection of property taxes accounted for \$8,197,707, or 21% of all revenues. Franchise taxes collected from various entities located within the City accounted for \$1,941,452 or 5% of all revenues. Revenues received from charges for services and grants amounted to \$11,562,305 or 30% of all revenues.

Major expense activities, under the accrual basis of accounting, included Public Safety expenses accounting for \$14,448,478, or 46% of total program expenses. Culture & recreation accounted for \$3,455,083 or 11% of total program expenses. The City is committed to providing the basic services that our residents expect.

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

Business type activities decreased the City of Laurel, Mississippi's net position by \$4,267,164, including a prior period adjustment of (\$2,228,954) in 2022. The Public Utility Fund and Sewer Fund had total operating revenues of \$13,851,978. The substantial decrease is mainly due to operating transfers and pension expense.

**CITY OF LAUREL, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2022**

**The City's Funds**

Information about the City's major governmental funds begins on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$37,781,262 and expenditures of \$42,056,413.

The fund balance of the general fund increased by \$620,789, while revenues exceeded expenditures by \$17,886.

**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 2022, 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 overspending 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, 2022**

**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, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Land	\$ 887,520	\$ 887,520
Buildings and infrastructure	65,239,692	53,290,124
Furniture and equipment	3,311,162	3,057,546
Construction in progress	<u>8,978,855</u>	<u>10,357,684</u>
Total	<u>\$ 78,417,229</u>	<u>\$ 67,592,874</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, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Buildings and infrastructure	\$ 22,416,981	\$ 23,819,729
Furniture and equipment	2,937,964	2,847,240
Construction in progress	<u>2,843,324</u>	<u>226,000</u>
Total	<u>\$ 28,198,269</u>	<u>\$ 26,892,969</u>

The primary increase 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 49-51 of this report.



## CITY OF LAUREL, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2022

#### ***General Long-Term Obligations***

At September 30, 2022, the City of Laurel, Mississippi had \$48,068,317 in outstanding general obligation bonds payable and notes payable. The City's long-term debt at September 30, 2021 was \$52,991,086. Table 4 indicates the total outstanding long-term obligations of the City.

	<u>2022</u>	<u>2021</u>
<b>General Bonded Debt</b>		
General Obligation Bonds	\$ 17,487,000	\$ 19,156,000
CAP Loans Payable	2,499,003	2,878,469
MS Development Bank Bonded Debt	975,000	1,120,000
Notes payable	721,888	997,031
Capital leases	-	877,760
Energy efficiency lease	-	2,487,134
Financed Purchases	3,167,994	-
Subtotal General Bonded Debt	<u>24,850,885</u>	<u>27,516,394</u>
<b>Revenue Bonds</b>		
Water and Sewer General Obligation Bonds	3,115,000	3,555,000
Water and Sewer Revenue Bonds	9,930,000	10,455,000
CAP Loans Payable	-	28,701
General Obligation Notes - State Revolving Loan Fund	9,811,331	10,859,437
Notes payable	29,776	35,914
Capital leases	-	540,640
Financed Purchases	331,325	-
Subtotal Revenue Bonds	<u>23,217,432</u>	<u>25,474,692</u>
<b>Compensated Absences</b>	<u>283,793</u>	<u>306,364</u>
<b><i>Total Long-Term Obligations</i></b>	<u><u>\$ 48,352,110</u></u>	<u><u>\$ 53,297,450</u></u>

Additional information of the City's long-term debt can be found in Note 7 on pages 52-59 of this report.

#### **Current Issues**

In Fiscal Year 2022, the City 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 eighty-four new business licenses were completed in FY 2022. Included in these applications were four new MC Cannabis Dispensaries, which became legal in Mississippi in the statewide election held in November 2021.

The City of Laurel's total sales tax diversion for FY 2022 was \$10,871,898; an increase of 5.2% over last year in which we collected \$10,152,405. For the second year in a row, the City's sales tax collections exceeded \$10,000,000. Sales tax collection is important to Laurel since it makes up about 54% of our General Fund budget. Tourism sales tax showed an increase over \$171,926 or 7.6%.

## **CITY OF LAUREL, MISSISSIPPI**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2022**

#### Special Election:

In June of 2022, the City of Laurel, Mississippi held a special election for an additional 3% tourism tax on hotels, B&B's, and AirBnB's. With the increased popularity of the HGTV show, "Hometown", over 70 short term rentals are now listed on AirBnB and VRBO in our city and county. Over 73% of the electors voted to add this 3% tourism tax. The proceeds from this tax will fund: 1) a Capital Improvement Loan for a new Welcome Center, 2) advertising grants to special events holding their activities in our city, and 3) billboard rentals along the interstate.

#### Two General Obligation Bond Issues:

In December 2021, with the help of our consultants from Butler Snow, Government Consultants, and Raymond James, the City declared that it was to our advantage to refinance two outstanding bonds: 1) 2013 General Obligation Street Bond, (which became Series 2021A) and 2) 2012 General Obligation Water & Sewer Bond, (which became Series 2021B). The first one, Series 2021A, amount was \$1.944 million and the second one, Series 2021B was in the amount of \$1.9 million. The interest rate of the two bonds was 1.6%.

The City issued a 20-year General Obligation Bond in the amount of \$3.675 million dollars. The purpose of the bond issue is to complete the new 8-plex softball fields and to be repaid out of our tourism tax funds. The bonds have an interest rate of 4.25%. Over the past year, interest rates have dramatically increased. But even with the nationwide increase in the interest rate, our consultants still considered this rate to be an excellent one for the City and advised us to proceed with the bond issuance.

#### Capital Equipment

At the end of fiscal years 2021 and 2022, because the City had appropriated some funds that were not going to be spent, mainly due to personnel vacancies, Administration requested the Council to reallocate these funds to the capital line items. At the beginning of the fiscal year, several old and/or obsolete inventory items were sent to auction. This provided some much-needed additional revenue to pay for new capital equipment items, particularly in the public works department. Because of our strong end-of-year financial position, no short-term equipment loans were required to make these purchases.

#### Street Funds:

The additional four mills that are levied especially for street repair is in its third year of collection. Around \$788,000 was collected from these four mills and were used to complete the 2020 overlay project. Over \$1 million dollars was collected in Road and Bridge funds from the County. The precise amount was \$1,037,850.36. Previously this money had been appropriated in the General Fund and this was the first year that the entire amount was appropriated strictly for road and bridge projects. Another source of street funds from the State is the Mississippi Infrastructure Modernization Act (MIMA), which are funds received from the internet sales tax. In its third year of collections, over \$1,400,000 was received in FY 2022 from the proceeds of this act. These funds were budgeted for engineering and construction costs related to various street budgeted projects, along with emergency cave-ins and drainage projects that occurred during the year.

#### Grants Management

In the year ending September 30, 2022 the total amount received from twelve grant sources was \$7,915,146, with the major portion of these funds, \$2,254,154.38 coming from our second installment of ARPA Funds. Other grants were received from Americorps, MS Home Grant, DOJ, MDOT, Natural Resource Conservation Service, and MS Wildlife and Fisheries.

#### 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, 2022

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,788,056	\$ 1,346,025	\$ 14,134,081
Short-term investments	11,721,163	7,885,276	19,606,439
Accounts receivable	27,685,970	3,276,338	30,962,308
Allowance for uncollectibles	(24,431,201)	(1,817,598)	(26,248,799)
Due from other funds	9,535	84,092	93,627
Due from other governments	5,386,454	-	5,386,454
Inventory	9,074	-	9,074
Prepaid assets	163,311	495	163,806
Restricted assets	-	4,306,930	4,306,930
Right to use leased assets, net of amortization	357,286	34,865	392,151
Capital assets, net	78,417,229	28,198,269	106,615,498
<b>Total Assets</b>	<b>112,106,877</b>	<b>43,314,692</b>	<b>155,421,569</b>
<b>DEFERED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to bond issuance	674	-	674
Deferred outflows related to pensions	3,330,248	32,737	3,362,985
<b>Total Deferred Outflows</b>	<b>3,330,922</b>	<b>32,737</b>	<b>3,363,659</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,489,300	1,469,595	4,958,895
Bank overdraft	10,169,440	1,024,541	11,193,981
Accrued interest	145,464	50,465	195,929
Customer deposits	1,000	743,785	744,785
Due to other funds	194,161	-	194,161
Due to other governments	1,209,710	-	1,209,710
Unearned revenue	409,215	4,419,798	4,829,013
Lease liability	125,613	6,311	131,924
Long-term liabilities (Due within one year)			
Capital related liabilities	2,540,022	2,068,458	4,608,480
Financed purchases	210,991	215,105	426,096
Long-term liabilities (Due beyond one year)			
Lease liability	231,673	28,554	260,227
Capital related liabilities	19,142,869	20,922,276	40,065,145
Financed purchases	2,957,003	11,594	2,968,597
Non-capital related liabilities	271,039	11,699	282,738
Net pension liability	30,430,356	279,563	30,709,919
<b>Total Liabilities</b>	<b>71,527,856</b>	<b>31,251,744</b>	<b>102,779,600</b>
<b>DEFERED INFLOWS OF RESOURCES</b>			
Deferred inflows related to bond issuance	843,029	-	843,029
Deferred inflows related to pensions	4,319,078	44,509	4,363,587
<b>Total Deferred Inflows</b>	<b>5,162,107</b>	<b>44,509</b>	<b>5,206,616</b>
<b>NET POSITION</b>			
Investment in capital assets (net of related debt)	53,566,344	9,549,330	63,115,674
Restricted for:			
Capital improvements	5,031,677	4,502,059	9,533,736
Debt service	3,653,976	-	3,653,976
Public Safety	374,581	-	374,581
Unemployment benefits	84,356	-	84,356
Unrestricted	(23,963,098)	(2,000,213)	(25,963,311)
<b>Total Net Position</b>	<b>\$ 38,747,836</b>	<b>\$ 12,051,176</b>	<b>\$ 50,799,012</b>

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

## CITY OF LAUREL, MISSISSIPPI

Statement of Activities  
Year Ended September 30, 2022

## 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
<b>GOVERNMENTAL:</b>							
General government	\$ 6,763,837	\$ -	\$ 196,001		\$ (6,567,836)	\$ -	\$ (6,567,836)
Public safety	14,448,478	2,302,398	236,584	-	(11,909,496)	-	(11,909,496)
Public works	4,470,130	393,613	-	7,958,279	3,881,762	-	3,881,762
Health & welfare	383,129	-	-	-	(383,129)	-	(383,129)
Culture & recreation	3,455,083	475,430	-	-	(2,979,653)	-	(2,979,653)
Economic development	1,355,267	-	-	-	(1,355,267)	-	(1,355,267)
Interest and fiscal charges	721,111	-	-	-	(721,111)	-	(721,111)
Total governmental activities	31,597,035	3,171,441	432,585	7,958,279	(20,034,730)	-	(20,034,730)
<b>BUSINESS-TYPE:</b>							
Water & sewer	13,050,992	13,851,978	-	88,510	-	889,496	889,496
Total business-type activities	13,050,992	13,851,978	-	88,510	-	889,496	889,496
<b>Total primary government</b>	<b>\$ 44,648,027</b>	<b>\$ 17,023,419</b>	<b>\$ 432,585</b>	<b>\$ 8,046,789</b>	<b>(20,034,730)</b>	<b>889,496</b>	<b>(19,145,234)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					5,708,101	-	5,708,101
Property taxes, levied for debt service					2,489,606	-	2,489,606
Sales taxes					10,871,898	-	10,871,898
Franchise taxes					1,941,452	-	1,941,452
Homestead exemption					252,110	-	252,110
Gas and oil severance tax					13,824	-	13,824
Grants and contributions not restricted to specific programs					3,614,314	-	3,614,314
Unrestricted investment earnings					365,369	407,564	772,933
Unrealized gain (loss) on investments					(1,279,670)	(1,222,419)	(2,502,089)
Other local sources					-	263,979	263,979
Rents and royalties					636,804	-	636,804
Gain/loss on sale of assets					82,153	-	82,153
Other revenues					350,967	-	350,967
Transfers, net					2,376,830	(2,376,830)	-
Total general revenues and transfers					27,423,758	(2,927,706)	24,496,052
<b>CHANGE IN NET POSITION</b>					<b>7,389,028</b>	<b>(2,038,210)</b>	<b>5,350,818</b>
<b>NET POSITION - BEGINNING</b>					<b>30,970,194</b>	<b>16,318,340</b>	<b>47,288,534</b>
Prior Period Adjustment					388,614	(2,228,954)	(1,840,340)
<b>NET POSITION - BEGINNING, AS RESTATED</b>					<b>31,358,808</b>	<b>14,089,386</b>	<b>45,448,194</b>
<b>NET POSITION - ENDING</b>					<b>\$ 38,747,836</b>	<b>\$ 12,051,176</b>	<b>\$ 50,799,012</b>

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

## CITY OF LAUREL, MISSISSIPPI

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2022**

	<b>Major Funds</b>					
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Capital Improvements Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,650,476	\$ 386,735	\$ 2,586,524	\$ 505,297	\$ 492,072	\$ 448,930
Investments	1,694,223	-	251,899	-	-	-
Accounts receivable	27,685,797	173	-	-	-	-
Allowance for uncollectibles	(24,431,201)	-	-	-	-	-
Due from other funds	9,535	-	-	-	-	-
Due from other governments	1,837,524	8,238	21,020	198,754	198,753	628,788
Inventory	9,074	-	-	-	-	-
Prepaid items	156,965	6,346	-	-	-	-
<b>Total assets</b>	<b>\$ 10,612,393</b>	<b>\$ 401,492</b>	<b>\$ 2,859,443</b>	<b>\$ 704,051</b>	<b>\$ 690,825</b>	<b>\$ 1,077,718</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 925,672	\$ 220,529	\$ -	\$ -	\$ 344,810	\$ 745,874
Bank overdraft	-	-	-	-	-	-
Unearned revenues	3,400	-	-	-	-	-
Due to other funds	84,092	-	110,069	-	-	-
Due to other governments	1,209,710	-	-	-	-	-
Customer deposits	1,000	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,223,874</b>	<b>220,529</b>	<b>110,069</b>	<b>-</b>	<b>344,810</b>	<b>745,874</b>
Fund Balances:						
Nonspendable:						
Inventory	9,074	-	-	-	-	-
Prepaid items	156,965	6,346	-	-	-	-
Restricted:						
Debt service	-	-	2,749,374	704,051	346,015	-
Capital projects	-	-	-	-	-	331,844
Unemployment benefits	-	-	-	-	-	-
Assigned:						
Recreational purposes	-	174,617	-	-	-	-
Public safety and awareness	-	-	-	-	-	-
Unassigned:	8,222,480	-	-	-	-	-
<b>Total Fund Balance</b>	<b>8,388,519</b>	<b>180,963</b>	<b>2,749,374</b>	<b>704,051</b>	<b>346,015</b>	<b>331,844</b>
<b>Total liabilities &amp; fund balance</b>	<b>\$ 10,612,393</b>	<b>\$ 401,492</b>	<b>\$ 2,859,443</b>	<b>\$ 704,051</b>	<b>\$ 690,825</b>	<b>\$ 1,077,718</b>

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

Major Funds					EXHIBIT C
NRCS Drainage Project Fund	Drainage Bond Fund	Recreation Improvement Fund	MDOT STP Fund	Other Governmental Funds	Total
\$ -	\$ 35,907	\$ 126,211	\$ 328,795	\$ 4,227,109	\$ 12,788,056
-	2,300,995	7,474,046	-	-	11,721,163
-	-	-	-	-	27,685,970
-	-	-	-	-	(24,431,201)
-	-	-	-	-	9,535
1,941,085	332,948	-	151,389	67,955	5,386,454
-	-	-	-	-	9,074
-	-	-	-	-	163,311
<u>\$ 1,941,085</u>	<u>\$ 2,669,850</u>	<u>\$ 7,600,257</u>	<u>\$ 480,184</u>	<u>\$ 4,295,064</u>	<u>\$ 33,332,362</u>
\$ 5,900	\$ 274,730	\$ 678,056	\$ 148,832	\$ 144,897	\$ 3,489,300
1,439,195	2,592,973	6,137,272	-	-	10,169,440
-	-	-	-	405,815	409,215
-	-	-	-	-	194,161
-	-	-	-	-	1,209,710
-	-	-	-	-	1,000
<u>1,445,095</u>	<u>2,867,703</u>	<u>6,815,328</u>	<u>148,832</u>	<u>550,712</u>	<u>15,472,826</u>
-	-	-	-	-	9,074
-	-	-	-	-	163,311
-	-	-	-	-	3,799,440
495,990	(197,853)	784,929	331,352	3,285,415	5,031,677
-	-	-	-	84,356	84,356
-	-	-	-	-	174,617
-	-	-	-	374,581	374,581
-	-	-	-	-	8,222,480
<u>495,990</u>	<u>(197,853)</u>	<u>784,929</u>	<u>331,352</u>	<u>3,744,352</u>	<u>17,859,536</u>
<u>\$ 1,941,085</u>	<u>\$ 2,669,850</u>	<u>\$ 7,600,257</u>	<u>\$ 480,184</u>	<u>\$ 4,295,064</u>	<u>\$ 33,332,362</u>

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, 2022**

**EXHIBIT C-1**

Total fund balances for governmental funds (Exhibit C) \$ 17,859,536

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

Right to use leased assets, net of amortization	357,286	
Land	887,520	
Construction in progress	8,978,855	
Buildings and infrastructure	99,084,659	
Furniture and mobile equipment	10,324,077	
Accumulated Depreciation	<u>(40,857,882)</u>	78,774,515

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:

Lease liability	(357,286)	
General obligation bonds	(17,487,000)	
Notes payable	(4,195,891)	
Financed Purchases	(3,167,994)	
Compensated Absences	(271,039)	
Accrued interest payable	<u>(145,464)</u>	(25,624,674)

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>(30,430,356)</u>	(30,430,356)
-----------------------	---------------------	--------------

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	674	
Deferred inflows related to bond issuance	(843,029)	
Deferred outflows of resources related to pensions	3,330,248	
Deferred inflows of resources related to pensions	<u>(4,319,078)</u>	<u>(1,831,185)</u>

Total net position of governmental activities (Exhibit A) \$ 38,747,836

## CITY OF LAUREL, MISSISSIPPI

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

	Major Funds					
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Tourism Bond 1996 Fund	Tourism Bond 1998 Fund	Capital Improvements Fund
<b>REVENUES</b>						
General property taxes:						
Current	\$ 3,927,160	\$ 962,581	\$ 2,476,341	\$ -	\$ -	\$ -
Delinquent	10,204	1,699	4,358	-	-	-
Penalties and interest on delinquent taxes	12,968	3,490	8,907	-	-	-
Homestead exemption	119,712	30,307	77,349	-	-	-
Licenses and permits	393,613	-	-	-	-	-
Franchise taxes on utilities	1,941,452	-	-	-	-	-
Gas & oil severance tax	13,824	-	-	-	-	-
State shared revenues	49,488	-	-	1,147,500	1,147,500	-
Federal grants	186,666	-	-	-	-	2,429,169
State grants	-	-	-	-	-	-
General sales taxes	10,871,898	-	-	-	-	-
Charges for services	103,385	372,045	-	-	-	-
Fines and forfeitures	2,213,647	-	-	-	-	-
Interest	60,698	-	7,873	-	-	-
Rents	125,445	-	511,359	-	-	-
Other revenues	44,291	2,483	53,632	-	-	-
Total revenues	<u>20,074,451</u>	<u>1,372,605</u>	<u>3,139,819</u>	<u>1,147,500</u>	<u>1,147,500</u>	<u>2,429,169</u>
<b>EXPENDITURES</b>						
General government	4,466,978	412,449	-	-	-	-
Public safety	10,591,992	-	-	-	-	-
Public works	3,261,315	-	-	-	-	7,415
Health & welfare	398,596	-	-	-	-	-
Culture & recreation	-	2,370,187	-	-	-	-
Economic Development and Assistance	1,010,457	-	-	-	344,810	-
Capital outlay	90,275	49,700	-	-	-	2,759,386
Debt service:						
Principal	204,271	5,035	3,781,530	485,000	62,000	-
Interest and fiscal charges	32,681	2,951	578,244	184,232	33,673	-
Total expenditures	<u>20,056,565</u>	<u>2,840,322</u>	<u>4,359,774</u>	<u>669,232</u>	<u>440,483</u>	<u>2,766,801</u>
Excess (deficiency) of revenues over expenditures	<u>17,886</u>	<u>(1,467,717)</u>	<u>(1,219,955)</u>	<u>478,268</u>	<u>707,017</u>	<u>(337,632)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Unrealized gain (loss) on investments	(184,671)	-	(22,349)	-	-	-
Legal settlements	24,506	980	-	-	-	-
Loan proceeds	-	-	1,944,000	-	-	-
Sale of property	122,535	10,695	-	-	-	-
Operating transfers in	1,190,533	1,262,288	25,282	-	19,908	1,380,434
Operating transfers out	(550,000)	(50,000)	(315,846)	(392,408)	(600,000)	-
Total other financing sources (uses)	<u>602,903</u>	<u>1,223,963</u>	<u>1,631,087</u>	<u>(392,408)</u>	<u>(580,092)</u>	<u>1,380,434</u>
Net change in fund balances	<u>620,789</u>	<u>(243,754)</u>	<u>411,132</u>	<u>85,860</u>	<u>126,925</u>	<u>1,042,802</u>
<b>Fund balances</b>						
October 1, 2021, as previously reported	7,767,730	424,717	2,338,242	618,191	219,090	(710,958)
Prior period adjustments	-	-	-	-	-	-
Fund balances - beginning	<u>7,767,730</u>	<u>424,717</u>	<u>2,338,242</u>	<u>618,191</u>	<u>219,090</u>	<u>(710,958)</u>
Fund balances - ending	<u>\$ 8,388,519</u>	<u>\$ 180,963</u>	<u>\$ 2,749,374</u>	<u>\$ 704,051</u>	<u>\$ 346,015</u>	<u>\$ 331,844</u>

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



Major Funds					EXHIBIT D
NRCS Drainage Project Fund	Drainage Bond Fund	Recreation Improvement Fund	MDOT STP Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 785,780	\$ 8,151,862
-	-	-	-	1,387	17,648
-	-	-	-	2,832	28,197
-	-	-	-	24,742	252,110
-	-	-	-	-	393,613
-	-	-	-	-	1,941,452
-	-	-	-	-	13,824
-	-	-	-	1,225,635	3,570,123
3,133,516	99,977	-	878,398	245,920	6,973,646
-	-	-	-	1,461,407	1,461,407
-	-	-	-	-	10,871,898
-	-	-	-	-	475,430
-	-	-	-	88,751	2,302,398
-	57,850	213,725	-	25,223	365,369
-	-	-	-	-	636,804
5,800	-	3,058	-	216,217	325,481
3,139,316	157,827	216,783	878,398	4,077,894	37,781,262
-	-	-	-	-	4,879,427
-	-	-	-	198,545	10,790,537
-	-	-	-	243,381	3,512,111
-	-	-	-	-	398,596
-	-	2,633	-	309,771	2,682,591
-	-	-	-	-	1,355,267
3,966,322	2,351,379	1,641,008	1,178,737	946,825	12,983,632
-	-	-	-	71,673	4,609,509
-	-	7,067	-	5,895	844,743
3,966,322	2,351,379	1,650,708	1,178,737	1,776,090	42,056,413
(827,006)	(2,193,552)	(1,433,925)	(300,339)	2,301,804	(4,275,151)
-	(239,162)	(812,898)	-	(20,588)	(1,279,668)
-	-	-	-	-	25,486
-	-	-	-	-	1,944,000
-	-	-	-	-	133,230
161,998	-	-	15,061	2,061,826	6,117,330
-	-	(2,500)	(55,352)	(1,774,393)	(3,740,499)
161,998	(239,162)	(815,398)	(40,291)	266,845	3,199,879
(665,008)	(2,432,714)	(2,249,323)	(340,630)	2,568,649	(1,075,272)
1,160,998	2,234,861	3,034,252	671,982	1,023,008	18,782,113
-	-	-	-	152,695	152,695
1,160,998	2,234,861	3,034,252	671,982	1,175,703	18,934,808
\$ 495,990	\$ (197,853)	\$ 784,929	\$ 331,352	\$ 3,744,352	\$ 17,859,536

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, 2022**

**EXHIBIT D-1**

Net change in fund balances - total governmental funds (Exhibit D) \$ (1,075,272)

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	13,599,805	
	Net disposals	(51,077)	
	Depreciation expense	<u>(2,960,292)</u>	10,588,436
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	(1,944,000)	
	Payments of debt principal	4,609,509	
	Accrued interest payable	24,137	
	Change in issuance costs	<u>99,494</u>	2,789,140
3.	Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
	Change in compensated absences	<u>22,571</u>	22,571
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	(5,350,960)	
	Contributions made subsequent to the measurement date	<u>415,113</u>	<u>(4,935,847)</u>
	Change in net position of governmental activities (Exhibit B)		<u>\$ 7,389,028</u>

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

**CITY OF LAUREL, MISSISSIPPI**

**Statement of Fiduciary Net Position  
September 30, 2022**

**EXHIBIT E**

	State Assessment Agency Fund	Police & Fire Retirement Trust Fund	Self-Insurance Trust Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 47,535	\$ 173,787	\$ 248,418
Investments	-	-	503,799
Due from other governments	65,731	4,408	-
Due from other funds	-	110,069	-
Total assets	<u>\$ 113,266</u>	<u>\$ 288,264</u>	<u>\$ 752,217</u>
<b>LIABILITIES</b>			
Hospitalization insurance	\$ -	\$ -	\$ 752,217
Due to other governments	46,732	278,730	-
Due to other funds	-	9,534	-
Other liabilities	66,534	-	-
Total liabilities	<u>\$ 113,266</u>	<u>\$ 288,264</u>	<u>\$ 752,217</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, 2022**

**EXHIBIT F**

	Police & Fire Retirement Trust Fund
<b>ADDITIONS</b>	
General property taxes: current	\$ 512,753
General property taxes: delinquent	1,319
Penalties & interest	2,664
Homestead exemption reimbursement	16,092
Total additions	532,828
<b>DEDUCTIONS</b>	
General government	
Transfers to PERS	532,828
Total deductions	532,828
<b>CHANGES IN NET POSITION</b>	-
<b>NET POSITION - BEGINNING</b>	-
<b>NET POSITION - ENDING</b>	\$ -

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, 2022

	Major Funds			
	Public Utility Bond	ARPA Project	Public Utility Project	Public Utility
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 101,424	\$ -	\$ 336,882	\$ 80,821
Investments	2,150,979	-	-	5,734,297
Accounts receivable	-	-	-	2,821,464
Allowance for doubtful accounts	-	-	-	(1,508,289)
Due from other funds	-	-	-	84,092
Prepaid assets	-	-	-	-
Total current assets	2,252,403	-	336,882	7,212,385
<b>NON-CURRENT ASSETS</b>				
Restricted assets	-	2,247,906	2,059,024	-
Right to use leased assets, net of amortization	-	-	-	34,865
Capital assets:				
Buildings & infrastructure	-	-	-	85,766,759
Equipment	-	-	-	5,132,498
Construction in Progress	2,703,314	88,510	-	51,500
Less accumulated depreciation	-	-	-	(65,583,962)
Net non-current assets	2,703,314	2,336,416	2,059,024	25,401,660
<b>Total assets</b>	4,955,717	2,336,416	2,395,906	32,614,045
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	-	-	-	-
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	209,381	82,262	-	993,276
Bank overdraft	381,396	-	-	643,145
Accrued interest	-	-	-	50,465
Customer deposits	-	-	-	743,785
Unearned revenue	-	2,165,644	2,254,154	-
Lease liability	-	-	-	6,311
Finance purchases payable	-	-	-	147,205
G. O. bonds payable	-	-	-	460,000
Revenue bonds payable	-	-	-	535,000
Notes payable	-	-	-	1,073,458
Total current liabilities	590,777	2,247,906	2,254,154	4,652,645
<b>NON-CURRENT LIABILITIES</b>				
Compensated absences payable	-	-	-	-
Lease liability	-	-	-	28,554
Finance purchases payable	-	-	-	11,594
G. O. bonds payable	-	-	-	2,655,000
Revenue bonds payable	-	-	-	9,395,000
Notes payable (net of current portion)	-	-	-	8,767,650
Net pension liability	-	-	-	-
Total non-current liabilities	-	-	-	20,857,798
Total liabilities	590,777	2,247,906	2,254,154	25,510,443
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	-	-	-	-
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	2,703,314	2,336,416	2,059,024	2,515,552
Unrestricted	1,661,626	(2,247,906)	(1,917,272)	4,588,050
Total net position	4,364,940	88,510	141,752	7,103,602
<b>Total liabilities and net position</b>	\$ 4,955,717	\$ 2,336,416	\$ 2,395,906	\$ 32,614,045

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

**EXHIBIT G**

Solid Waste	Other Proprietary Funds	Total
\$ 166,724	\$ 660,174	\$ 1,346,025
-	-	7,885,276
425,642	29,232	3,276,338
(309,309)	-	(1,817,598)
-	-	84,092
495	-	495
<u>283,552</u>	<u>689,406</u>	<u>10,774,628</u>
-	-	4,306,930
-	-	34,865
-	-	85,766,759
1,174,278	-	6,306,776
-	-	2,843,324
(1,134,628)	-	(66,718,590)
<u>39,650</u>	<u>-</u>	<u>32,540,064</u>
<u>323,202</u>	<u>689,406</u>	<u>43,314,692</u>
<u>32,737</u>	<u>-</u>	<u>32,737</u>
184,676	-	1,469,595
-	-	1,024,541
-	-	50,465
-	-	743,785
-	-	4,419,798
-	-	6,311
67,900	-	215,105
-	-	460,000
-	-	535,000
-	-	1,073,458
<u>252,576</u>	<u>-</u>	<u>9,998,058</u>
11,699	-	11,699
-	-	28,554
-	-	11,594
-	-	2,655,000
-	-	9,395,000
104,626	-	8,872,276
<u>279,563</u>	<u>-</u>	<u>279,563</u>
<u>395,888</u>	<u>-</u>	<u>21,253,686</u>
<u>648,464</u>	<u>-</u>	<u>31,251,744</u>
<u>44,509</u>	<u>-</u>	<u>44,509</u>
(64,976)	-	9,549,330
(272,058)	689,406	2,501,846
<u>(337,034)</u>	<u>689,406</u>	<u>12,051,176</u>
<u>\$ 355,939</u>	<u>\$ 689,406</u>	<u>\$ 43,347,429</u>

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, 2022**

	<b>Major Funds</b>			
	Public Utility Bond	ARPA Project	Public Utility Project	Public Utility
<b>OPERATING REVENUES</b>				
Water sales	\$ -	\$ -	\$ -	\$ 5,229,225
Sewer fees and surcharges	-	-	-	6,826,525
Water and sewer connections	-	-	-	106,152
Sanitation charges	-	-	-	-
Other charges	-	-	-	117,953
Total operating revenues	-	-	-	12,279,855
<b>OPERATING EXPENSES</b>				
Contract Services:				
Supplies	-	-	-	1,237,741
Services and charges	-	-	468,792	6,791,166
Depreciation	-	-	-	2,199,916
Total contracting services	-	-	468,792	10,228,823
Finance:				
Personnel services	-	-	-	-
Supplies	-	-	-	139,295
Services and charges	-	-	-	1,128,559
Total finance	-	-	-	1,267,854
Public Works:				
Personnel services	-	-	-	-
Supplies	-	-	-	-
Services and charges	-	-	-	-
Depreciation	-	-	-	-
Pension expense (recovery)	-	-	-	-
Total public works	-	-	-	-
Total operating expenses	-	-	468,792	11,496,677
Operating income	-	-	(468,792)	783,178
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	87,168	-	65,040	255,356
Intergovernmental grants	-	88,510	-	-
Other income (expenses)	-	-	-	113,764
Transfers in	150,023	-	550,000	778,987
Transfers out	-	-	(1,511,974)	(2,115,826)
Unrealized gain (loss) on investments	(354,385)	-	(238,647)	(629,387)
Interest and fiscal charges	-	-	-	(465,440)
Total non-operating revenues (expenses)	(117,194)	88,510	(1,135,581)	(2,062,546)
Change in net position	(117,194)	88,510	(1,604,373)	(1,279,368)
Net position - beginning, as previously reported	4,456,934	-	4,000,279	8,382,970
Prior period adjustment	25,200	-	(2,254,154)	-
Total net position- beginning	4,482,134	-	1,746,125	8,382,970
Total net position - ending	\$ 4,364,940	\$ 88,510	\$ 141,752	\$ 7,103,602

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

**EXHIBIT H**

	Solid Waste	Other Proprietary Funds	Total
<b>OPERATING REVENUES</b>			
Water sales	\$ -	\$ -	\$ 5,229,225
Sewer fees and surcharges	-	-	6,826,525
Water and sewer connections	-	-	106,152
Sanitation charges	1,572,123	-	1,572,123
Other charges	-	-	117,953
Total operating revenues	1,572,123	-	13,851,978
<b>OPERATING EXPENSES</b>			
Contract Services:			
Supplies	-	-	1,237,741
Services and charges	-	-	7,259,958
Depreciation	-	-	2,199,916
Total contracting services	-	-	10,697,615
Finance:			
Personnel services	-	-	-
Supplies	-	-	139,295
Services and charges	-	-	1,128,559
Total finance	-	-	1,267,854
Public Works:			
Personnel services	134,188	-	134,188
Supplies	174,194	-	174,194
Services and charges	1,549,816	-	1,549,816
Depreciation	111,426	-	111,426
Pension expense (recovery)	(1,354,346)	-	(1,354,346)
Total public works	615,278	-	615,278
Total operating expenses	615,278	-	12,580,747
Operating income	956,845	-	1,271,231
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	-	407,564
Intergovernmental grants	-	-	88,510
Other income (expenses)	(25,177)	175,392	263,979
Transfers in	21,242	617,449	2,117,701
Transfers out	(618,162)	(248,569)	(4,494,531)
Unrealized gain (loss) on investments	-	-	(1,222,419)
Interest and fiscal charges	(4,805)	-	(470,245)
Total non-operating revenues (expenses)	(626,902)	544,272	(3,309,441)
Change in net position	329,943	544,272	(2,038,210)
Net position - beginning, as previously reported	(666,977)	145,134	16,318,340
Prior period adjustment	-	-	(2,228,954)
Total net position- beginning	(666,977)	145,134	14,089,386
Total net position - ending	\$ (337,034)	\$ 689,406	\$ 12,051,176

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, 2022**

**EXHIBIT I**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 13,823,243
Cash paid to suppliers	(10,523,658)
Cash paid to employees	(135,243)
Net cash flows from operating activities	<u>3,164,342</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers from other funds	2,117,701
Transfers to other funds	(4,494,531)
Short-term interfund loans	-
Cash received from United Water contract	175,392
Grant income	4,508,307
Other non operating revenue(expenses)	<u>321,016</u>
Net cash provided by noncapital financing activities	<u>2,627,885</u>

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

Principal payments on long-term debt	(4,697,899)
Proceeds from issuance of long-term debt	2,440,640
Purchase of fixed assets	(3,673,858)
Interest paid on long-term debt	<u>(470,245)</u>
Net cash used by capital and related financing activities	<u>(6,401,362)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	407,564
Purchases of investments	<u>(1,378,115)</u>
Net cash used by investing activities	<u>(970,551)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** (1,579,686)

**CASH AND CASH EQUIVALENTS - OCTOBER 1** 4,225,217

**CASH AND CASH EQUIVALENTS - SEPTEMBER 30** \$ 2,645,531

Cash and cash equivalents	\$ 1,346,025
Restricted cash	2,324,047
Bank overdraft	<u>(1,024,541)</u>
Total Cash and Cash Equivalents	<u>\$ 2,645,531</u>

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

**OPERATING INCOME** \$ 1,271,231

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation expense	2,311,342
Loss on disposal of asset	57,037
(Increase) decrease in accounts receivables, net of allowances	(41,181)
(Increase) decrease in prepaid assets	706
Deferred outflows related to pensions	124,030
Increase (decrease) in accounts payable and other accrued liabilities	908,161
Increase (decrease) in customer deposits	12,446
Increase (decrease) in compensated absences	(1,055)
Change in net pension liability	(988,355)
Deferred inflows related to pensions	<u>(490,020)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 3,164,342

**NON CASH TRANSACTIONS**

Unrealized gain (loss) on investments	<u>\$ (1,222,419)</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, 2022**

#### ***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, 2022

#### **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.
- NRCS Drainage Project Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital infrastructure.
- Drainage Project 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.
- MDOT STP Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital infrastructure.

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2022**

#### ***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.
- ARPA Project Fund- This fund is used to account for transactions that will be purchased using funds from the American Recovery Plan Act.
- Public Utility Fund – This fund accounts for the business activities of the water and sewer sector of the City.
- Public Utility Project Fund – This fund accounts for miscellaneous projects for public utility.
- 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, 2022

#### **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, 2022

#### ***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, 2022**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2022**

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

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

#### **Due from other Governments**

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

#### **Inventories and prepaid items**

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

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

#### **Capital assets**

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

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



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

***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
Intangible assets	*	*

\*Intangible assets for the City represent right to use leased assets and are capitalized as a group for reporting purposes. The estimated useful life is the term of the lease agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

**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, 2022

#### ***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, 2022

#### **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, 2022, the City's combined tax rate for general governmental services and other municipal purposes was 111.42 mills or \$111.42 per \$1,000 of assessed valuation expressed as follows:

General Fund	19.35
Special Revenue Fund (Recreation)	4.90
Street Improvement Fund	4.00
Debt Service Fund	12.50
Firemen and Police Disability and Relief Fund	2.60
Laurel Municipal Separate School District	68.07
Total Mills	<u>111.42</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, 2022**

#### ***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.

#### **Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

1. Deferred outflows related to bond issuance \$674
2. Deferred outflows related to pensions \$3,362,985

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1. Deferred inflows related to bond issuance \$843,029
2. Deferred inflows related to pensions \$4,363,587

See Note 8 for further details.

#### **Leases**

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency, and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2022**

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

The City uses the estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

#### **Changes in Accounting Standards**

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

#### ***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; (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.

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, fiduciary funds, and enterprise funds was \$5,254,823, including cash equivalents of \$479,066. The bank balance was \$4,740,026.

## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2022

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

##### **Cash and Cash Equivalents**

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, 2022, none of the City's bank balance of \$4,740,026 was exposed to custodial credit risk.

##### **Investments**

As of September 30, 2022, 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	\$ 8,671,945
Mortgage Backed Securities	More than 10 years	3,137,853
Municipal Obligations	More than 6 years	3,640,633
Agency Obligations	More than 6 years	4,682,790
United States Government Obligations	Less than 1 year	1,959,900
Total		<u>\$ 22,093,121</u>

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, 2022, 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.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

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

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, 2022.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total Investment</u>	<u>Fair Value Hierarchy</u>
Asset Backed Securities	\$ 8,671,945	39.25%	Level 1
Mortgage Backed Securities	3,137,853	14.20%	Level 1
Municipal Obligations	3,640,633	16.48%	Level 1
Agency Obligations	4,682,790	21.20%	Level 1
United States Government Obligations	1,959,900	8.87%	Level 1
Total	<u>\$ 22,093,121</u>	<u>100.00%</u>	

***Note 3 – Restricted Assets***

The restricted assets represent the cash balance totaling \$2,247,906, of the ARPA Project Fund which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the cash balance and investment balance, totaling \$76,141 and \$1,982,883, respectively, of the Public Utility Project Fund which is legally restricted and may not be used for purposes that support the district's programs.

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**Note 4 – 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	\$ 27,145,778	\$ 24,431,201	\$ 2,714,577
Cemetery	15,185	-	15,185
Other	525,007	-	525,007
Total	<u>\$ 27,685,970</u>	<u>\$ 24,431,201</u>	<u>\$ 3,254,769</u>
 <u>Proprietary Funds</u>	 <u>Receivable</u>	 <u>Allowance</u>	 <u>Net</u>
Water and Sewer	\$ 2,821,464	\$ 1,508,289	\$ 1,313,175
Public Utility	-	-	-
Solid Waste	425,642	309,309	116,333
Other	29,232	-	29,232
Total	<u>\$ 3,276,338</u>	<u>\$ 1,817,598</u>	<u>\$ 1,458,740</u>



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

***Note 5 – 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	\$ 260,000
	Other Governmental Funds	290,000
Recreation Fund	Other Governmental Funds	50,000
Bond and Interest Retirement Fund	General Fund	56,841
	Public Utility Fund	259,005
Tourism Bond 1996 Fund	Recreation Fund	375,000
	Tourism Bond 1998 Fund	17,408
Tourism Bond 1998 Fund	Recreation Fund	600,000
Recreation Improvement Fund	Tourism Bond 1998 Fund	2,500
MDOT STP Fund	Other Governmental Funds	55,352
Other Governmental Funds	General Fund	6,827
	Recreation Fund	27,288
	Capital Improvement Fund	240,000
	NRCS Drainage Project Fund	161,998
	Other Governmental Funds	1,316,690
	Public Utility Bond Fund	21,590
Public Utility Fund	General Fund	469,730
	Bond and Interest Retirement Fund	25,282
	MDOT STP Fund	15,061
	Other Governmental Funds	288,629
	Public Utility Bond Fund	128,433
	Public Utility Project Fund	550,000
	Other Proprietary Funds	617,449
	Solid Waste Fund	21,242
Solid Waste Fund	General Fund	593,351
	Public Utility Fund	24,811
Public Utility Project Fund	General Fund	63,784
	Capital Improvement Fund	1,140,434
	Public Utility Fund	246,601
	Other Governmental Funds	61,155
Other Proprietary Funds	Public Utility Fund	248,569
		<u>\$ 8,235,030</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, 2022**

***Note 5 – Interfund Receivables, Payables, and Transfers (Cont.)***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police & Fire Retirement Trust Fund	\$ 9,535
Public Utility Fund	General Fund	84,092
Police & Fire Retirement Trust Fund	Bond and Interest Retirement Fund	<u>110,069</u>
		<u><u>\$ 203,696</u></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, 2022**

**Note 6 – Capital Assets**

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

Governmental activities:

	<b>Balance 10/01/2021</b>	<b>Additions</b>	<b>Retirements</b>	<b>Completed Construction</b>	<b>Adjustment</b>	<b>Balance 9/30/2022</b>
<u>Non-depreciable capital assets:</u>						
Land	\$ 887,520	\$ -	\$ -	\$ -		\$ 887,520
Construction in progress	10,357,684	12,737,522	-	(14,116,351)	-	8,978,855
Total non-depreciable capital assets	11,245,204	12,737,522	-	(14,116,351)		9,866,375
<u>Depreciable capital assets:</u>						
Buildings and Infrastructure	84,606,095	598,132	-	14,116,351	(235,919)	99,084,659
Furniture and mobile equipment	10,098,859	735,991	(510,773)	-	-	10,324,077
Total depreciable capital assets	94,704,954	1,334,123	(510,773)	14,116,351		109,408,736
<u>Less accumulated depreciation for:</u>						
Buildings and Infrastructure	31,551,891	2,293,076	-	-	-	33,844,967
Furniture and mobile equipment	6,805,395	667,216	(459,696)	-	-	7,012,915
Total accumulated depreciation	38,357,286	2,960,292	(459,696)	-	-	40,857,882
Total depreciable capital assets, net	56,347,668	(1,626,169)	(51,077)	14,116,351	-	68,550,854
Governmental activities capital assets, net	\$67,592,872	\$11,111,353	\$ (51,077)	\$ -	\$ -	\$78,417,229

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**Note 6 – Capital Assets (Cont.)**

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

	<b>Balance 10/1/2021</b>	<b>Additions</b>	<b>Retirements</b>	<b>Completed Construction</b>	<b>Balance 9/30/2022</b>
<u>Non-depreciable capital assets:</u>					
Construction in progress	\$ 226,000	\$ 2,702,324	\$ -	\$ (85,000)	\$ 2,843,324
<u>Depreciable capital assets:</u>					
Buildings and Infrastructure	85,334,843	346,916	-	85,000	85,766,759
Furniture and mobile equipment	6,364,199	624,618	(681,862)	-	6,306,955
Total depreciable capital assets	91,699,042	971,534	(681,862)	85,000	92,073,714
<u>Less accumulated depreciation for:</u>					
Buildings and Infrastructure	61,515,115	1,834,663	-	-	63,349,778
Furniture and mobile equipment	3,517,137	476,679	(624,825)	-	3,368,991
Total accumulated depreciation	65,032,252	2,311,342	(624,825)	-	66,718,769
Total depreciable capital assets, net	26,666,790	(1,339,808)	(57,037)	85,000	25,354,945
Proprietary activities capital assets, net	\$ 26,892,790	\$ 1,362,516	\$ (57,037)	\$ -	\$28,198,269

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**Note 6 – Capital Assets (Cont.)**

Depreciation expense was charged to the following governmental functions:

General Government	\$ 1,374,482
Public Safety	426,627
Public Works	912,772
Health and Welfare	11,111
Culture and Recreation	235,300
	<u>\$ 2,960,292</u>

Depreciation expense charged to the Public Utility and Solid Waste Funds amounted to \$2,311,342 for the year ended September 30, 2022.

Commitments under construction contracts at September 30, 2022 are summarized as follows:

<u>Projects Under Contract</u>	<u>Amount Spent to Date</u>	<u>Required Future Financing</u>
<b><u>Governmental</u></b>		
16th & Martin Luther King Utilities	\$ 1,496,539	\$ 1,158,455
<b><u>Proprietary</u></b>		
Kimberly Drive Project	\$ 1,673,298	\$ 539,305

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**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 10-1-2021	Additions	Reductions	Balance 9-30-2022	Amounts Due Within One Year
General Obligation Bonds	\$ 19,156,000	\$ 1,944,000	\$ 3,613,000	\$ 17,487,000	\$ 1,730,000
Notes from Direct Borrowings	4,995,500	-	799,609	4,195,891	810,022
Financed Purchases	3,364,894	-	196,900	3,167,994	210,991
Compensated Absences	293,610	-	22,571	271,039	-
Total	<u>\$ 27,810,004</u>	<u>\$ 1,944,000</u>	<u>\$ 4,632,080</u>	<u>\$ 25,121,924</u>	<u>\$ 2,751,013</u>

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

Debt Type	Balance 10-1-2021	Additions	Reductions	Balance 9-30-2022	Amounts Due Within One Year
General Obligation Bonds	\$ 3,555,000	\$ -	\$ 440,000	\$ 3,115,000	\$ 460,000
Revenue Bonds	10,455,000	1,900,000	2,425,000	9,930,000	535,000
Notes from Direct Borrowings	10,924,052	-	1,082,944	9,841,108	1,073,458
Obligations under Capital Lease	540,640	-	540,640	-	-
Financed Purchases	-	540,640	209,315	331,325	215,105
Compensated Absences	12,754	-	-	12,754	-
Total	<u>\$ 25,487,446</u>	<u>\$ 2,440,640</u>	<u>\$ 4,697,899</u>	<u>\$ 23,230,187</u>	<u>\$ 2,283,562</u>

The annual requirements to amortize bond, note principal, and capital leases outstanding for all funds as of September 30, 2022, are as follows:

Year Ended September 30	GO/Revenue Bonds	Interest	Notes Payable	Interest	Financed Purchases	Interest
2023	\$ 2,725,000	\$ 696,256	\$ 1,883,480	\$ 287,280	\$ 426,096	\$ 115,702
2024	2,659,000	630,234	1,727,906	245,712	280,000	104,023
2025	2,403,000	568,709	1,625,511	202,278	242,273	96,136
2026	2,455,000	510,949	1,449,996	170,745	217,803	89,095
2027	2,453,000	450,026	1,340,083	136,337	179,682	82,554
2028-2032	10,339,000	1,407,668	4,475,202	330,926	1,043,461	313,553
2033-2037	4,908,000	698,159	1,534,821	43,346	1,110,004	122,087
2038-2042	2,590,000	108,059	-	-	-	-
	<u>\$ 30,532,000</u>	<u>\$ 5,070,060</u>	<u>\$ 14,036,999</u>	<u>\$ 1,416,624</u>	<u>\$ 3,499,319</u>	<u>\$ 923,150</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**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%	\$ 17,487,000
Proprietary	1.0-3.0%	3,115,000
Total General Obligation Bonds		<u>\$ 20,602,000</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>
2023	\$ 1,730,000	\$ 426,852	\$ 460,000	\$ 74,448
2024	1,635,000	384,130	470,000	62,005
2025	1,646,000	342,508	185,000	53,359
2026	1,675,000	300,350	190,000	48,578
2027	1,511,000	257,304	335,000	41,834
2028-2032	5,717,000	721,634	1,475,000	76,947
2033-2037	2,103,000	322,185	-	-
2038-2042	1,470,000	72,240	-	-
	<u>\$17,487,000</u>	<u>\$ 2,827,203</u>	<u>\$ 3,115,000</u>	<u>\$ 357,171</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, 2022**

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

**B. Revenue Bonds**

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts Outstanding</u>
Proprietary	1.0-3.0%	\$ 9,930,000
Total Revenue Bonds		<u>\$ 9,930,000</u>

<u>Year Ended September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 535,000	\$ 194,956
2024	554,000	184,099
2025	572,000	172,842
2026	590,000	162,022
2027	607,000	150,839
2028-2032	3,147,000	581,849
2033-2037	2,805,000	288,912
2038-2042	1,120,000	35,819
	<u>\$ 9,930,000</u>	<u>\$ 1,771,338</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, 2022**

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

C. 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
Date of Note	9/30/2008	9/30/2008	9/30/2011	8/1/2013
Original Amount	\$ 2,000,000	\$ 3,000,000	\$ 972,675	\$ 259,306
Unpaid Principal	\$ 726,943	\$ 1,089,940	\$ 532,873	\$ 24,060
Interest Rate	3.00%	3.00%	3.00%	2.00%

	CAP Loan	CAP Loan	Consolidated Loan	SMPDD
Date of Note	11/1/2013	6/1/2017	6/1/2009	3/9/2016
Original Amount	\$ 250,000	\$ 120,000	\$ 2,790,000	\$ 175,000
Unpaid Principal	\$ 29,831	\$ 95,356	\$ 975,000	\$ 76,774
Interest Rate	2.00%	3.00%	3.50%	3.25%

	SMPDD	Jones County Public Safety Communication Equipment	The First
Date of Note	3/1/2017	10/1/2015	10/13/2017
Original Amount	\$ 185,000	\$ 923,986	\$ 750,000
Unpaid Principal	\$ 91,850	\$ 403,264	\$ 150,000
Interest Rate	3.50%	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, 2022**

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

The annual requirements of the notes payable on note principal outstanding for governmental funds as of September 30, 2022, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 810,022	\$ 117,007	\$ 927,029
2024	634,880	95,007	729,887
2025	646,436	75,431	721,867
2026	670,257	55,409	725,666
2027	594,521	34,766	629,287
2028-2032	801,849	31,211	833,060
2033-2037	37,926	1,931	39,857
Total	<u>\$ 4,195,891</u>	<u>\$ 410,762</u>	<u>\$ 4,606,653</u>

**D. Notes from Direct Borrowings in Proprietary Fund**

The City has a series of notes owed to the State of Mississippi under the Water Pollution Abatement Loan Programs. The loans with the State are 20-year repayment agreements.

	<u>State of Mississippi</u>					
Date of Note	9/19/2003	5/1/2004	7/1/2011	5/1/2012	11/1/2013	11/15/2015
Original Amount	\$ 2,129,452	\$ 4,309,018	\$ 870,373	\$ 4,036,493	\$ 4,958,126	\$ 3,916,079
Unpaid Principal	\$ 260,836	\$ 797,668	\$ 423,567	\$ 2,088,781	\$ 3,575,755	\$ 2,664,723
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 \$10,853,720 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, 2022, the future principal and interest requirements for the notes payable totaled \$9,811,331 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, 2022**

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

The City is currently repaying a note payable to Jones County for public safety communication equipment. The Loan is as follows:

		Jones County Public Safety Communication Equipment
Date of Note		10/1/2015
Original Amount	\$	68,226
Unpaid Principal	\$	29,778
Yearly Installment	\$	13,388
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, 2022, are as follows:

Year Ended September 30	Principal	Interest	Total
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	779,738	115,336	895,074
2027	745,563	101,571	847,134
2028-2032	3,673,354	299,715	3,973,069
2033-2037	1,496,895	41,415	1,538,310
Total	<u>\$ 9,841,108</u>	<u>\$ 1,010,862</u>	<u>\$ 10,851,970</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

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

**E. Financed Purchases- 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	2.41%	9/30/2021	10/18/2026	\$ 251,232	\$ 207,408
Ferrara Fire Apparatus/Chassis	3.13%	8/22/2018	8/23/2033	685,704	532,849
Kubota Tractor	3.11%	12/18/2018	12/18/2023	114,380	30,271
Energy Conservation	3.60%	8/30/2017	8/30/2037	2,807,687	2,397,465
Total				<u>\$ 3,859,003</u>	<u>\$ 3,167,993</u>

The annual requirements of the financed purchases outstanding for the governmental funds as of September 30, 2022, are as follows:

Year Ended September 30	Principal	Interest	Total
2023	\$ 210,992	\$ 108,637	\$ 319,629
2024	202,853	102,095	304,948
2025	207,023	95,755	302,778
2026	217,804	89,094	306,898
2027	179,682	82,554	262,236
2028-2032	1,043,460	313,553	1,357,013
2033-2037	1,106,179	122,086	1,228,265
Total	<u>\$ 3,167,993</u>	<u>\$ 913,774</u>	<u>\$ 4,081,767</u>

The City's outstanding debt from financed purchases is secured by equipment. The obligations financed purchases 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, 2022 were as follows:

	Governmental Activities
Machinery and equipment	\$ 4,365,377
Less: accumulated depreciation	(981,167)
Total	<u>\$ 3,384,210</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

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

**F. Financed Purchases- 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	\$ 72,867
Backhoe/Excavator	3.11%	12/18/2018	12/18/2023	144,307	38,214
Dump Truck	2.88%	6/5/2019	7/5/2023	213,000	47,718
Garbage Truck & Knuckleboom	2.16%	12/17/2019	12/18/2024	336,029	172,526
Total				<u>\$ 1,036,450</u>	<u>\$ 331,325</u>

The annual requirements of the financed purchases outstanding for the proprietary funds as of September 30, 2022, are as follows:

Year Ended September 30	Principal	Interest	Total
2023	\$ 215,105	\$ 7,065	\$ 222,170
2024	77,147	1,928	79,075
2025	39,073	381	39,454
Total	<u>\$ 331,325</u>	<u>\$ 9,374</u>	<u>\$ 340,699</u>

The City's outstanding debt from financed purchases is secured by equipment. The financed purchases 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 financed purchases as of September 30, 2022 were as follows:

	Proprietary Activities
Machinery and equipment	\$ 1,036,450
Less: accumulated depreciation	<u>(462,640)</u>
Total	<u>\$ 573,810</u>

# CITY OF LAUREL, MISSISSIPPI

## Notes to Financial Statements Year Ended September 30, 2022

### Note 8 – Leases

The City is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the City recognizes expenses based on the provisions of the lease contract. For all other leases, other than short-term, the City recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less the lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less and lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either the City or a lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the City and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

As Lessee:

#### Governmental Activities:

The intangible right to use equipment at September 30, 2022 is as follows:

Asset Class	As of Fiscal Year-end		
	Lease Asset Value	Accumulated Amortization	Balance
Equipment	\$ 284,964	\$ 91,484	\$ 193,480
Computer Equipment	191,772	27,966	163,806
Total Leases	<u>476,736</u>	<u>119,450</u>	<u>\$ 357,286</u>

The City has entered into various 36–60-month leases of computers, copiers, printers, and tasers from various entities for a total fixed \$124,835 annually. The lease agreements can only be cancelled if both parties agree. There are no options to extend the lease agreements and no variable payment options.

	Term	Issue Date	Maturity Date	Annual Payment	Amount Outstanding
Computers	48 months	March 1, 2022	February 28, 2026	\$ 48,342	\$ 193,481
Equipment	36-60 months	Various	Various	76,493	163,805
					<u>\$ 357,286</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**Note 8 – Leases – Continued**

The following is a schedule by years of the total payments dues as of September 30, 2022:

<u>Year Ending September 30</u>	<u>Principal</u>
2023	\$ 125,613
2024	123,913
2025	103,070
2026	2,075
2027	2,615
	<u>\$ 357,286</u>

**Proprietary Activities:**

The intangible right to use equipment at September 30, 2022 is as follows:

<u>Asset Class</u>	<u>As of Fiscal Year-end</u>		
	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Land	\$ 41,313	\$ 6,038	\$ 35,275
Total Leases	<u>\$ 41,313</u>	<u>\$ 6,038</u>	<u>\$ 35,275</u>

The City has entered into various 60–180-month land leases from various entities for a total fixed \$6,580 annually. The lease agreements can only be cancelled if both parties agree. There are no options to extend the lease agreements and no variable payment options.

	<u>Term</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Annual Payment</u>	<u>Amount Outstanding</u>
Land	Various	Various	Various	\$ 6,580	<u>\$ 35,275</u>

The following is a schedule by years of the total payments dues as of September 30, 2022

<u>Year Ending September 30</u>	<u>Principal</u>
2023	\$ 6,422
2024	6,422
2025	6,422
2026	6,422
2027	921
2028-2032	4,602
2033-2037	4,064
	<u>\$ 35,275</u>

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2022**

#### ***Note 9 – 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 2022, 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, 2022, 2021 and 2020 were \$558,315, \$866,465 and \$814,708 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, 2022, 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, 2022, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2022, 2021 and 2020 were \$1,572,674, \$1,645,483, and \$1,633,887, 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, 2022, the City reported a liability of \$30,709,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, The City's proportion was .133157 percent.

For the year ended September 30, 2022, the City recognized pension expense(recovery) of \$3,581,501.



**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**Note 9 - Defined Benefit Pension Plan (Cont.)**

At September 30, 2022, 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	\$ 395,215	\$ 4,073	\$ -	\$ 399,288
Net difference between projected and actual earnings on pension plan investments	1,252,864	12,911	142,381	1,408,156
Changes in assumptions	1,065,644	10,982	-	1,076,626
Changes in proportion and difference between contributions	47,877	493	-	48,370
City's contributions subsequent to the measurement date	415,113	4,278	11,154	430,545
Total	<u>\$ 3,176,713</u>	<u>\$ 32,737</u>	<u>\$ 153,535</u>	<u>\$ 3,362,985</u>

	Deferred Inflows of Resources			
	PERS		MMRS	Total
	Governmental Activities	Business-Type Activities	Governmental Activities	
Changes in assumptions	2,826,124	29,124	-	2,855,248
Changes in proportion and difference between contributions	1,492,954	15,385	-	1,508,339
Total	<u>\$ 4,319,078</u>	<u>\$ 44,509</u>	<u>\$ -</u>	<u>\$ 4,363,587</u>

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

**Note 9 - Defined Benefit Pension Plan (Cont.)**

\$503,141 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, 2022.

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>
2023	\$ (1,044,157)	\$ 6,354	\$ (1,037,803)
2024	(879,021)	1,751	(877,270)
2025	(1,137,613)	(37,501)	(1,175,114)
2026	<u>1,487,263</u>	<u>171,777</u>	<u>1,659,040</u>
Total	<u>\$ (1,573,528)</u>	<u>\$ 142,381</u>	<u>\$ (1,431,147)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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, 2022**

**Note 9 - 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 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash	1.00	(1.00)
Total	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.55 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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
City's proportionate share of the net pension liability - PERS	\$ 27,873,174	\$ 27,408,556	\$ 12,930,337
City's proportionate share of the net pension liability – MMRS	\$ 3,891,233	\$ 3,301,363	\$ 2,786,216

*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, 2022**

#### ***Note 10 – 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, 2022**

**Note 11 – Legal Debt Limit**

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2022.

	<u>15 Percent</u>	<u>20 Percent</u>
Authorized Debt Limit:		
Assessed valuation for fiscal year end September 30, 2022 (\$214,430,085)	\$ 32,614,513	\$ 43,486,017
Present debt subject to debt limits	<u>(17,487,000)</u>	<u>(27,659,432)</u>
Margin for further indebtedness	<u>\$ 15,127,513</u>	<u>\$ 15,826,585</u>

**Limitation of Indebtedness**

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

**Note 12 – Employment Security Fund**

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

**Note 13 – Municipal Compliance Questionnaire**

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

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2022**

#### ***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.

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.

## CITY OF LAUREL, MISSISSIPPI

### Notes to Financial Statements Year Ended September 30, 2022

#### **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 2022 and 2021, the City shared \$344,810 and \$316,230, respectively with this organization from tourism tax receipts.

#### **Note 16 – 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, 2022, the City abated property taxes totaling \$1,364,594 under this program for four separate manufacturing enterprises.

#### **Note 17 – Deficit Fund Balances**

The City had the following deficit fund balances at September 30, 2022. The deficits will be financed through future revenues or transfers.

	<u>Fund Balance</u>
Drainage Bond Fund	\$ (195,854)
Solid Waste Fund	<u>(337,035)</u>
	<u>\$ (532,889)</u>

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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Financial Statements  
Year Ended September 30, 2022**

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

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

	9/30/2021 Fund Balance	PPA	9/30/2021 Adjusted Fund Balance
Governmental Activities			
Total net position	\$ 30,970,194	\$ 388,614	\$ 31,358,808
Business-Type Activities			
Total net position	\$ 16,318,340	\$ (2,228,954)	\$ 14,089,386
Other Governmental Funds			
Total fund balance	\$ 3,257,869	\$ 152,695	\$ 3,410,564

Governmental Activities

The Government-Wide financial statements were adjusted in the prior period to correct for governmental activities due to construction in progress and to correct expenditures due to voided checks.

Business-type Activities

The Government-Wide financial statements were adjusted in the prior period for business-type activities due to unearned revenue.

Other Governmental Funds

The beginning fund balance of the Other Governmental Funds has been restated on the fund basis financial statements to record a prior period adjustment to correct expenditures due to voided checks.



## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to Financial Statements Year Ended September 30, 2022**

#### **Note 19 – Recently Implemented and Issued Accounting Pronouncements**

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows: In June 2017, the GASB issued Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement will become effective for the City in fiscal year 2022. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has implemented this standard for the year ended September 30, 2022.

In February 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This City implemented the statement for fiscal year 2022.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The City is evaluating the requirements of the above statements and the impact on reporting.

#### **Note 20 – 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 City has ongoing expenditures for capital projects funds. Management of the City of Laurel, Mississippi evaluated the activity of the city through October 10, 2023, 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, 2022**

**Schedule 1a**

				Variances	
	Original Budget	Final Budget	Actual Budgetary Basis	Original to Final	Final to Actual
<b>REVENUES</b>					
General property taxes	\$ 3,976,200	\$3,976,200	\$ 3,913,842	\$ -	\$ (62,358)
Homestead exemption	-	-	119,712	-	119,712
Licenses and permits	315,700	370,200	393,613	54,500	23,413
Franchise taxes on utilities	1,770,000	1,912,270	1,910,715	142,270	(1,555)
Intergovernmental revenue	35,000	35,000	-	-	(35,000)
Gas & oil severance tax	23,580	26,280	13,824	2,700	(12,456)
State shared revenues	48,246	70,646	49,488	22,400	(21,158)
Federal grants	-	170,384	204,604	170,384	34,220
General sales taxes	10,020,000	10,020,000	10,640,289	-	620,289
Charges for services	122,000	128,900	103,385	6,900	(25,515)
Fines and forfeitures	700,000	700,000	603,782	-	(96,218)
Interest	80,000	80,000	60,698	-	(19,302)
Rents	106,500	116,000	125,445	9,500	9,445
Other revenues	-	40,000	44,291	40,000	4,291
Total revenues	17,197,226	17,645,880	18,183,688	448,654	537,808
<b>EXPENDITURES</b>					
General government	4,201,465	4,424,032	4,406,185	(222,567)	17,847
Public safety	9,392,848	9,634,606	9,087,974	(241,758)	546,632
Public works	2,014,927	3,115,727	3,158,647	(1,100,800)	(42,920)
Health & welfare	412,831	412,105	399,130	726	12,975
Economic Development	819,705	1,028,865	1,028,313	(209,160)	552
Capital outlay	-	806,070	90,275	(806,070)	715,795
Debt service	119,629	119,629	236,952	-	(117,323)
Total expenditures	16,961,405	19,541,034	18,407,476	(2,579,629)	1,133,558
Excess (deficiency) of revenues over expenditures	235,821	(1,895,154)	(223,788)	(2,130,975)	1,671,366
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance/Legal settlements	-	22,733	24,506	(22,733)	1,773
Unrealized Gain/Loss Investment	-	-	(184,671)	-	(184,671)
Loan proceeds	-	-	-	-	-
Sale of property	-	121,563	122,535	(121,563)	972
Operating transfers in	50,000	1,190,533	1,190,533	1,140,533	-
Operating transfers out	(275,000)	(550,000)	(550,000)	(275,000)	-
Total other financing sources (uses)	(225,000)	784,829	602,903	721,237	(181,926)
	10,821	(1,110,325)	379,115	(1,409,738)	1,489,440
<b>Adjustment to GAAP Basis</b>					
Revenue Accruals			1,890,763		
Expenditure Accruals			(1,649,089)		
Net change in fund balance- GAAP Basis			620,789		
Fund balances - beginning			7,767,730		
Fund balances - ending			\$ 8,388,519		

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

CITY OF LAUREL, MISSISSIPPI

Budgetary Comparison Schedule  
Recreation Fund  
Year Ended September 30, 2022

Schedule 1b

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Positive (Negative)	
				Original to Final	Final to Actual
<b>REVENUES</b>					
General property taxes	\$ 1,004,600	\$ 1,004,600	\$ 958,998	\$ -	\$ (45,602)
Homestead exemption	-	-	30,307	-	30,307
Charges for services	359,400	369,400	372,045	10,000	2,645
Other revenues	-	1,800	2,483	1,800	683
Total revenues	1,364,000	1,375,800	1,363,833	11,800	(11,967)
<b>EXPENDITURES</b>					
General government	250,442	270,927	412,449	(20,485)	(141,522)
Culture & recreation	2,290,458	2,346,047	2,265,139	(55,589)	80,908
Debt service	7,986	7,986	7,986	-	-
Capital outlay	-	186,856	49,700	(186,856)	137,156
Total expenditures	2,548,886	2,811,816	2,735,274	(262,930)	76,542
Excess (deficiency) of revenues over expenditures	(1,184,886)	(1,436,016)	(1,371,441)	(251,130)	64,575
<b>OTHER FINANCING SOURCES (USES)</b>					
Legal Settlements/Ins Proceeds	-	1,080	980	1,080	(100)
Sale of property	-	10,695	10,695	10,695	-
Operating transfers in	1,185,000	1,262,288	1,262,288	77,288	-
Operating transfers out	-	(50,000)	(50,000)	50,000	-
Total other financing sources (uses)	1,185,000	1,224,063	1,223,963	139,063	-
	114	(211,953)	(147,478)	(112,067)	64,575
<b>Adjustment to GAAP Basis</b>					
Revenue Accruals			8,772		
Expenditure Accruals			(105,048)		
Net change in fund balance- GAAP Basis			(243,754)		
Fund balances - beginning			424,717		
Fund balances - ending			\$ 180,963		

The notes to the required supplementary information are 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\***

		<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	%	0.133157	0.141791	0.142098	0.143713	0.142302	0.143466	0.14393	0.148172
City's proportionate share of the net pension liability	\$	27,408,556	20,957,329	27,508,522	25,281,952	23,669,050	23,848,918	25,709,492	23,187,042
City's covered payroll		9,038,358	9,456,798	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		303.25%	221.61%	292.95%	265.86%	250.93%	259.75%	280.50%	329.61%
Plan fiduciary net position as a percentage of the total pension liability		59.93%	70.44%	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 are an integral part of this schedule.

**City of Laurel, Mississippi**

**Schedule of City Contributions**

**PERS**

**Last 10 Fiscal Years**

	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$1,572,674	\$1,645,483	\$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>\$1,572,674</u>	<u>\$1,645,483</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	9,038,358	9,456,798	9,390,156	9,512,505	9,084,451	9,181,473	9,165,454	7,034,597
	17.40%	17.40%	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 are an integral part of this schedule.

**City of Laurel, Mississippi**

Schedule of Changes in Net Position Liability

MRS

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>								
Interest	\$ 590,733	\$ 659,368	\$ 690,152	\$ 725,639	\$ 771,868	\$ 788,851	\$ 855,096	\$ 833,652
Differences between expected and actual experience	25,199	(330,548)	(114,144)	(155,468)	(331,660)	25,729	21,309	(313,107)
Changes of assumptions	-	(77,909)	-	(21,750)	-	35,157	324,098	-
Benefit payments, including refunds of employee contributions	(914,830)	(954,385)	(992,061)	(1,020,571)	(1,052,849)	(1,084,891)	(1,152,454)	(1,112,353)
<b>Net change in total pension liability</b>	(298,898)	(703,474)	(416,053)	(472,150)	(612,641)	(235,154)	48,049	(591,808)
<b>Total pension liability - beginning</b>	<u>8,281,691</u>	<u>8,985,165</u>	<u>9,401,218</u>	<u>9,873,368</u>	<u>10,486,009</u>	<u>10,721,163</u>	<u>11,264,922</u>	<u>11,312,971</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 7,982,793</u>	<u>\$ 8,281,691</u>	<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>
<b>Plan fiduciary net position</b>								
Contributions- employer*	\$ 558,315	\$ 866,465	\$ 814,708	\$ 787,708	\$ 764,620	\$ 597,342	\$ 1,068,848	\$ 994,419
Contributions- member	-	-	-	-	-	-	-	-
Net investment income	(457,042)	1,370,941	129,814	297,095	332,664	549,865	136,278	16,591
Benefit payments, including refunds of employee contributions	(914,830)	(954,385)	(992,061)	(1,020,571)	(1,052,849)	(1,084,891)	(1,152,454)	(1,112,353)
Administrative expense	(11,166)	(17,329)	(16,294)	(15,754)	(15,292)	(11,947)	(21,377)	(19,888)
Other	-	-	-	1,055	(389)	(8,105)	-	40,358
<b>Net change in plan fiduciary net position</b>	(824,723)	1,265,692	(63,833)	49,533	28,754	42,264	31,295	(80,873)
<b>Plan net position - beginning</b>	<u>5,506,153</u>	<u>4,240,461</u>	<u>4,304,294</u>	<u>4,254,761</u>	<u>4,226,007</u>	<u>4,183,743</u>	<u>4,233,321</u>	<u>4,264,616</u>
<b>Plan net position - ending (b)</b>	<u>\$ 4,681,430</u>	<u>\$ 5,506,153</u>	<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>
<b>Net pension liability (asset) - ending (a) - (b)</b>	\$ 3,301,363	\$ 2,775,538	\$ 4,744,704	\$ 5,096,924	\$ 5,618,607	\$ 6,260,002	\$ 7,048,355	\$ 6,537,420
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	58.64%	66.49%	47.19%	45.78%	43.09%	40.30%	37.70%	39.02%
<b>Covered payroll**</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net pension liability (asset) as a percentage of covered payroll*</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*Includes administrative expenses.

\*\*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 are an integral part of this schedule.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined employer contribution (ADEC)*	\$ 506,127	\$ 458,488	\$ 487,729	\$ 581,067	\$ 591,466	\$ 506,267	\$ 874,018	\$ 780,207
Contributions in relation to the contractually required contribution **	<u>547,149</u>	<u>866,465</u>	<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>\$ (41,022)</u>	<u>\$ (407,977)</u>	<u>\$ (326,979)</u>	<u>\$ (206,641)</u>	<u>\$ (173,154)</u>	<u>\$ (91,075)</u>	<u>\$ (120,401)</u>	<u>\$ (288,641)</u>
Covered payroll ***	N/A	N/A	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	N/A	N/A

\*Beginning in 2022, methodology for ADEC determination was changed to match cash flow projections that calculate the certified millage rates.

\*\*Net of administrative expenses.

\*\*\*Payroll-related information not provided because plan is closed to new entrants and there are 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 are an integral part of this schedule.



## CITY OF LAUREL, MISSISSIPPI

### Notes to Required Supplementary Information Year Ended September 30, 2022

#### 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

- 2021
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
    - For females, 84% of female rates up to age 72, 100% for ages above 76.
    - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
    - For males, 134% of male rates at all ages.
    - For females, 121% of female rates at all ages.
    - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
  - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
    - For males, 97% of male rates at all ages.
    - For females, 110% of female rates at all ages.
    - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 2.75% to 2.40%.
  - The wage inflation assumption was reduced from 3.00% to 2.65%.
  - The investment rate of return assumption was changed from 7.75% to 7.55%.
  - The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

## CITY OF LAUREL, MISSISSIPPI

### Notes to Required Supplementary Information Year Ended September 30, 2022

- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.
- 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%.
- 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

**CITY OF LAUREL, MISSISSIPPI**

**Notes to Required Supplementary Information  
Year Ended September 30, 2022**

(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, 2022 were based on the June 30, 2020 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	2.75%
Salary increases	3.00 – 4.50%, including inflation
Investment rate of return	6.25%, 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, 2022**

<i><b>Federal Grantor/Pass-through Grantor/Program Title</b></i>	<i><b>Federal Assistance Listing Number</b></i>	<i><b>Pass-through Entity Identifying Number</b></i>	<i><b>Federal Expenditures(\$)</b></i>
<b><u>Department of Transportation</u></b>			
<b>Highway Planning and Construction Cluster-Cluster'</b>			
Passed-through MS Department of Transportation			
Highway Planning and Construction	20.205	STP-8080-00(005)/IMD-8077-00(002)	\$ 3,316,732
<b>Total Highway Planning and Construction Cluster-Cluster</b>			<u>3,316,732</u>
Total Passed-through MS Department of Transportation			3,316,732
<b>Highway Safety Cluster-Cluster</b>			
Passed-through MS Department of Public Safety			
Safety Belt Performance Grants	20.609	PT-2021-PT-23-71	66,717
Alcohol Open Container Requirements	20.607	154AL-2021-ST-23-71	63,265
Total Highway Safety Cluster-Cluster			<u>129,982</u>
Total Passed-through MS Department of Public Safety			<u>129,982</u>
Total Department of Transportation			3,446,714
<b><u>Corporation for National and Community Service</u></b>			
AmeriCorps	94.006		<u>179,502</u>
Total Corporation for National and Community Service			179,502
<b><u>Department of Homeland Security</u></b>			
Passed-through MS Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW(s):46, 102	<u>99,977</u>
Total Passed-through MS Emergency Management Agency			99,977
Assistance to Firefighters Grant	97.044		<u>51,168</u>
Total Assistance to Firefighters Grant			<u>51,168</u>
Total Department of Homeland Security			151,145
<b><u>United States Department of Justice</u></b>			
Passed-through MS Department of Health			
Violence Against Women Formula Grants	16.588	MS DEPT OF HEALTH	<u>55,434</u>
Total Violence Against Women Formula Grants			<u>55,434</u>
Total United States Department of Justice			55,434
<b><u>Department of Housing and Urban Development</u></b>			
Passed-through MS Home Corporation			
Home Investment Partnerships Program	14.239		<u>13,800</u>
Total Passed-through MS Home Corporation			<u>13,800</u>
Total Department of Housing and Urban Development			13,800
<b><u>Department of the Treasury</u></b>			
Passed-through MS Department of Environmental Quality			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	164-2VW-5.5/222-2-CW-5.5/42-2-CW-5.5	<u>88,510</u>
Total Passed-through MS Department of Environmental Quality			<u>88,510</u>
Total Department of the Treasury			88,510
<b><u>United States Department of Agriculture</u></b>			
Rural Housing Preservation Grants	10.433		2,700
Emergency Watershed Protection Program	10.923	NR204423XXXXC078	<u>3,133,516</u>
Total Emergency Watershed Protection Program			<u>3,133,516</u>
Total United States Department of Agriculture			<u>3,136,216</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 7,071,321</u></u>

The accompanying notes are an integral part of this schedule.

## **CITY OF LAUREL, MISSISSIPPI**

### **Notes to the Supplemental Information Year Ended September 30, 2022**

#### 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, 2022. 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, 2022**

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

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**





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

Julie M. Uher, CPA  
Kari M. Blackledge, CPA  
Sheri A. Kelly, CPA

H. I. Holt, CPA  
Founder (1915-1997)  
W. David Dill, CPA (Retired)

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

Honorable Mayor and 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, 2022, 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 October 10, 2023.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items Finding 2022-2 and 2022-3 to be a material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items Finding 2022-1 to be a significant deficiency.

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## **Report on 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Laurel, Mississippi's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Laurel, Mississippi's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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

October 10, 2023



**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**

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

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

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

We have audited City of Laurel, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Laurel, Mississippi's major federal programs for the year ended September 30, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Laurel, Mississippi and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Ellisville, Mississippi's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Ellisville, Mississippi's federal programs.

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Laurel, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Laurel, Mississippi's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Laurel, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Laurel, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Laurel, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Holt & Associates, PLLC*

Laurel, MS

October 10, 2023

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



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

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

We have audited the basic financial statements of the City of Laurel, Mississippi as of and for the year ended September 30, 2022, and have issued our report thereon dated October 10, 2023. 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 findings and recommendations and your responses 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: Administration has been working diligently to correct this audit finding. There were two funds that had negative balances – the Drainage Bond Fund and the Solid Waste Fund. Due to auditor accrual entries, the Drainage Bond Fund was negative. Furthermore, the deficit in the Solid Waste Fund is due to adjustment for net pension liability. Administration will continue to review all fund balances at year-end to ensure that all funds remain positive.

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## **Finding #2**

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

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

Response: This year due to some late asphalt purchases, the line item for asphalt in the Public Works Supplies category, made that category go over budget. Administration is continually reviewing and asking Council to amend the budget to make sure that all line items do not go over budget. The City will continue to closely monitor and amend the city's budget as necessary.

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

October 10, 2023

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2022**

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
10.923	Emergency Watershed Protection Program
21.027	Coronavirus State and Local Fiscal Recovery 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, 2022**

Section II: Financial Statement Findings

Significant Deficiency:

Finding 2022-001

Criteria: There is a lack of segregation of duties performing payroll processing.

Condition: During our audit, we noted that some payroll checks were not processed correctly.

Cause: One person is responsible for preparing payroll input, reviewing the payroll, and finalizing each payroll for employees.

Effect: This combination of duties significantly increases the chance of an error or irregularity going undetected.

Recommendation: We strongly recommend that some of these functions be segregated among other employees to protect the assets of the City.

Material Weakness:

Finding 2022-002

Criteria: There is a lack of adequate policies in place to ensure that receivables are recorded for grant reimbursement. Proper documentation of expenditures of grants is not being reconciled to grant reimbursement requests.

Condition: During our audit, we noted that a receivable for a federal grant had not been properly recorded and only revenues were being documented.

Cause: Although the City maintains a list of grants and revenues received, there is no documentation on reconciling grant expenditures to reimbursement to determine if a receivable should be recorded.

Effect: The financial statements could be materially misstated. Furthermore, the schedule of federal expenditures of federal awards could be reported incorrectly and reimbursement could be delayed.

Recommendation: We recommend that the City have a designated grant administrator to closely monitor all grants to ensure proper reporting of grant revenues and expenditures. Furthermore, this will ensure the required schedule of federal expenditures of federal awards is accurate.

**CITY OF LAUREL, MISSISSIPPI**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2022**

Finding 2022-003

Criteria: Negative cash balances are being maintained in various funds.

Condition: During our audit, we noted that negative cash balances were maintained.

Cause: Although the City maintains funds in investment accounts to cover the negative cash balances, the funds were not transferred in a timely manner.

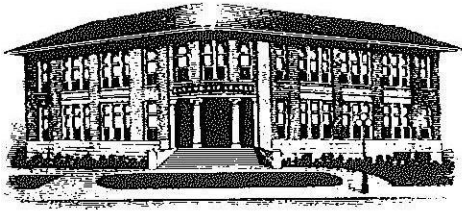
Effect: The ability to monitor cash flow and current budget effectively could be reduced. Furthermore, funds that are restricted or designated for other purposes could be spent erroneously.

Recommendation: We recommend that the City transfer funds on a timely basis to cover any negative cash balances to prevent spending of funds that could be restricted or designated.

Section III: Federal Award Findings and Questioned Costs

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

**CITY OF LAUREL, MISSISSIPPI  
AUDITEE'S CORRECTIVE ACTION PLAN AND  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

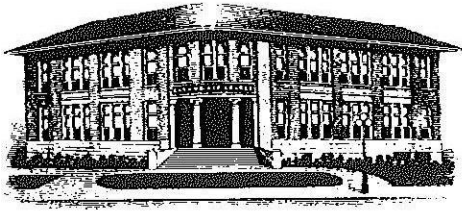


Post Office Box 647  
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### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), 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, 2022:

Finding: 2022-01:	Corrective Action Plan Details: Name of Contact Person Responsible for Corrective Action: Mary Ann Hess, Finance Director (601) 428-6430
Corrective Action Planned:	The City will implement a policy for an additional person to review the payroll after the payroll is ran each pay period.
Anticipated Completion Date:	Immediately
Finding: 2022-02:	Corrective Action Plan Details: Name of Contact Person Responsible for Corrective Action: Mary Ann Hess, Finance Director (601) 428-6430
Corrective Action Planned:	The City will implement a policy to develop a more centralized approach to grant administration for the City. One person will be assigned the task to provide the necessary schedules to the auditor at the end of the fiscal year.
Anticipated Completion Date:	Immediately
Finding: 2022-03:	Corrective Action Plan Details: Name of Contact Person Responsible for Corrective Action: Mary Ann Hess, Finance Director (601) 428-6430
Corrective Action Planned:	Management concurs that the amounts in the investment accounts are high; however, due to the market conditions in 2022, a decision was made to limit the amounts transferred from those accounts to a minimum in order to prevent unrealized losses from becoming realized losses. Management will be looking at the investment accounts and making the necessary transfers.
Anticipated Completion Date:	Immediately



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### **Summary Schedule of Prior Year Audit Findings**

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the City of Laurel, Mississippi has prepared and hereby submits the following summary of prior year audit findings follow up as of September 30, 2021:

Finding: 2021-01

Status: Repeat Finding.

Finding: 2022-01

Status: Repeat Finding.