

In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Bonds (defined below) is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, and such interest is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that under and pursuant to the Act (as hereinafter defined), the Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.

\$5,000,000

**COMBINED WATER AND SEWER SYSTEM REVENUE BONDS
SERIES 2020
OF THE
CITY OF LAUREL, MISSISSIPPI**

DATED: Date of Delivery

**DUE: August 1, as shown
on the inside of front cover**

The Bonds will be dated the date of delivery thereof and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside of the front cover. Interest on the Bonds will be payable semiannually on August 1 and February 1 of each year (each an "Interest Payment Date"), commencing August 1, 2021. Except as set forth herein, interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent to the Registered Owners. Principal of the Bonds is payable at the principal corporate trust office of BancorpSouth Bank, Jackson, Mississippi, Paying Agent.

The Bonds are issuable as fully registered instruments and will be initially issued only in book-entry form, under a book-entry system (described herein) in which The Depository Trust Company ("DTC") is the securities depository for the Bonds, to the nominee of DTC (Cede & CO.), with no physical delivery of Bond certificates to the purchasers thereof. Principal and interest payments on the Bonds will be paid to the DTC nominee, which will distribute such payments to the participating members of DTC for subsequent remittance to the owners of the beneficial interest in the Bonds. Such beneficial owners will be permitted to exercise the rights of holders of Bonds only indirectly through DTC and its participating members.

The Bonds are being issued to raise money for the purpose of (a) improving, repairing, and extending the combined water and sewer system of the City of Laurel, Mississippi (the "City"), and (b) paying the costs of the sale and issuance of the Bonds.

The Bonds will be subject to optional redemption prior to maturity as set forth herein.

The Bonds will be issued under and in conformity with the Constitution and Laws of the State of Mississippi and pursuant to the Bond Resolution adopted by the Mayor and City Council of the City on July 7, 2020. The Bonds will be payable solely from and secured by a lien on Net Revenues derived from the operation of the combined water and sewer system of the City (the "System"), all as herein described. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory restriction, limitation or provision, and the taxing power of the City is not pledged to the payment hereof, either as to principal or interest.

The Bonds will be designated by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(c) of the Internal Revenue Code of 1986, as amended.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds are being offered for sale in accordance with the Notice of Bond Sale dated July 7, 2020. Sealed bids for the Bonds will be received by the City Clerk of the City until the hour of 4:00 o'clock P.M. on August 4, 2020, in the office of the City Clerk, for subsequent presentation to the Mayor and the City Council of the City at its regular meeting place in the City Hall of the City on August 4, 2020.

The Bonds are offered subject to the final approval of the legality thereof by Butler Snow LLP, Ridgeland, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the City by Hortman, Harlow, Bassi, Robinson & McDaniel, PLLC, Laurel, Mississippi, as counsel to the City. The Bonds are expected to be available in definitive form for delivery on or about August 28, 2020.

Stephens Inc.

The date of this Official Statement is August 4, 2020.

MATURITY SCHEDULE

<u>YEAR OF MATURITY*</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>CUSIP NUMBER¹</u>
2021	\$170,000	2.000%	0.400%	518799CN9
2022	175,000	2.000%	0.500%	518799CP4
2023	180,000	2.000%	0.600%	518799CQ2
2024	190,000	2.000%	0.700%	518799CR0
2025	195,000	2.000%	0.800%	518799CS8
2026	205,000	2.000%	0.900%	518799CT6
2027	210,000	2.000%	1.000%	518799CU3
2028	220,000	1.500%	1.100%	518799CV1
2029	230,000	1.500%	1.200%	518799CW9
2030	240,000	1.500%	1.300%	518799CX7
2031	250,000	1.500%	1.350%	518799CY5
2032	260,000	1.500%	1.400%	518799CZ2
2033	270,000	1.500%	1.450%	518799DA6
2034	280,000	1.500%	1.500%	518799DB4
2035	290,000	1.500%	1.550%	518799DC2
2036	300,000	1.500%	1.600%	518799DD0
2037	315,000	1.625%	1.650%	518799DE8
2038	325,000	1.625%	1.700%	518799DF5
2039	340,000	1.750%	1.750%	518799DG3
2040	355,000	1.750%	1.800%	518799DH1

*Maturities 2028 through 2040 priced to the par call date of August 1, 2027.

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau. A Division of McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE BONDS OTHER THAN IS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE BONDS IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. THE INFORMATION, ESTIMATES AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGES WITHOUT NOTICE, AND WHILE ALL INFORMATION HAS BEEN SECURED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE, ALL PARTIES PREPARING AND DISTRIBUTING THE OFFICIAL STATEMENT MAKE NO GUARANTY OR WARRANTY RELATING THERETO. ALL OPINIONS, ESTIMATES OR ASSUMPTIONS, WHETHER OR NOT EXPRESSLY IDENTIFIED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT SHALL, NOR ANY SALE MADE HEREUNDER, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE SYSTEM SINCE THE DATE HEREOF.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix G - Specimen Bond Insurance Policy”.

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CITY OF LAUREL, MISSISSIPPI
JOHNNY MAGEE
MAYOR

CITY COUNCIL

COUNCILMAN JASON CAPERS
COUNCILMAN TONY WHEAT
COUNCILMAN TONY THAXTON
COUNCILMAN GEORGE CARMICHAEL
COUNCILMAN STACY COMEGYS
COUNCILWOMAN GRACE AMOS
COUNCILMAN ANTHONY PAGE

MARY ANN HESS
CITY CLERK

HORTMAN, HARLOW, BASSI, ROBINSON & MCDANIEL, PLLC
LAUREL, MISSISSIPPI
CITY ATTORNEY

BUTLER SNOW LLP
RIDGELAND, MISSISSIPPI
BOND COUNSEL

GOVERNMENT CONSULTANTS, INC.
MADISON, MISSISSIPPI
FINANCIAL ADVISOR

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OFFICIAL STATEMENT

\$5,000,000
COMBINED WATER AND SEWER SYSTEM REVENUE BONDS
SERIES 2020
OF THE
CITY OF LAUREL, MISSISSIPPI

INTRODUCTION

The purpose of this Official Statement is to set forth certain information in connection with the sale of the \$5,000,000 Combined Water and Sewer System Revenue Bonds, Series 2020, dated the date of delivery thereof (the "Bonds"), of the City of Laurel, Mississippi (the "City"). The City is a political subdivision incorporated under the laws of the State of Mississippi.

Reference is made to the Act as hereinafter defined, the Bond Resolution as hereinafter defined and any and all modifications and amendments thereof for a description of the authority of the City to issue the Bonds, the nature and extent of the security of, the principal of and interest on the Bonds and the terms and conditions under which the Bonds are issued.

THE BONDS

Definitions

In addition to any words and terms elsewhere defined herein, the following words and terms shall have the following meanings, unless some other meaning is plainly intended:

“Act” shall mean Section 21-27-23 and Sections 21-27-41 through 21-27-69, Mississippi Code of 1972 Annotated, as amended and/or supplemented from time to time.

“Act of Bankruptcy” shall mean the filing of a petition in bankruptcy by or against the City under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

“Agent” shall mean any Paying Agent or Transfer Agent, whether serving in either or both capacities, and herein designated by the Governing Body.

“Authorized Officer” shall mean the Mayor, the Clerk and any other officer designated from time to time as an Authorized Officer by resolution of the City, and when used with reference to any act or document also means any other Person authorized by resolution of the City to perform such act or sign such document.

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the Beneficial Owner of such Bond by a DTC participant on the records of such DTC participant, or such person's subrogee.

“Bond” or “Bonds” shall mean the \$5,000,000 Combined Water and Sewer System Revenue Bonds, Series 2020 of the City authorized and directed to be issued in the Bond Resolution.

“Bond Counsel” shall mean Butler Snow LLP, Ridgeland, Mississippi.

“Bond Resolution” shall mean the Bond Resolution adopted by the City on July 7, 2020.

“Bond Year” shall mean the period commencing on the date of the delivery of the Bonds through July 31, 2021 and then each twelve (12) month period thereafter, commencing with the period beginning August 1, 2021, until final maturity of the Bonds.

“Bondholder” or “Bondholders” or “Holder” or “Holders” or any similar term shall mean the registered owner of any Bond.

“Book-Entry System” shall mean a book-entry system established and operated for the recordation of Beneficial Owners of the Bonds as described in Section 3 of the Bond Resolution.

“Business Day” shall mean any day, other than a Saturday or Sunday, on which the Paying Agent or the City Hall of the City is not closed and on which the payment system of the Federal Reserve System, New Orleans branch, is operational.

“City” shall mean the City of Laurel, Mississippi.

“Clerk” shall mean the City Clerk of the City.

“Closing” shall mean the date of delivery of the Bonds.

“Code” shall mean the Internal Revenue Code of 1986, as amended, supplemented or superseded.

“Construction Project” shall mean improving, repairing and extending the System.

“Consulting Engineers” shall mean any engineer or engineering firm subsequently employed for the System for the purposes set out in Section 20 of the Bond Resolution.

“Cost of the Construction Project” shall mean the cost of acquisition and construction of the Construction Project and, without intending thereby to limit or restrict any proper definition of such term under the provisions of the Act or the Bond Resolution, shall include the following:

(a) obligations incurred for labor and materials and for contractors, builders and materialmen in connection with construction, for machinery and equipment, for the restoration or relocation of property damaged or destroyed in connection with such construction, for the removal or relocation of structures and for the clearing of lands;

(b) the cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any deposit in court or award or final judgment in or any settlement or compromise of any proceeding to acquire by eminent domain, such lands, property, property

rights, rights-of-way, easements, franchises, licenses, options and partial payments thereon, the cost of demolishing or removing or relocating any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, and the amount of any damages incident to or consequent upon the construction and operation of the Project;

(c) taxes or other municipal or governmental charges lawfully levied or assessed during construction upon the Construction Project or any property acquired therefor, and premiums on insurance (if any) in connection with the Construction Project during construction;

(d) the cost of borings and other preliminary investigations to determine foundation or other conditions, expenses necessary or incident to determining the feasibility or practicability of constructing the Construction Project, and fees and expenses of engineers for making surveys and estimates of costs and of revenues and other estimates and for preparing plans and specifications and supervising construction, as well as for the performance of all other duties of engineers set forth herein in relation to the construction of the Construction Project and the issuance of the Bonds;

(e) expenses of administration properly chargeable to the Construction Project, expenses of officers of the City in connection with the Bonds, legal expenses and fees, fees and expenses of any consultant, financing charges, costs of audits and of preparing and issuing the Bonds, and all other items of expense reasonably incurred incident to the acquisition, construction and equipping of the Construction Project, the financing thereof, the placing of the same in operation (including the initial premiums on any insurance required or obtained under the provisions of this Bond Resolution, including municipal bond insurance) and the acquisition of franchises and interest therefor, including abstracts of title, title insurance, costs of surveys and other expenses in connection with such acquisition; and

(f) any obligation or expense heretofore or hereafter incurred and any amount heretofore or hereafter advanced by the City for any of the foregoing purposes.

“County” shall mean Jones County, Mississippi.

“Current Expenses” shall mean the reasonable and necessary current expenses of maintenance, repair and operation of the System and shall include, without limiting the generality of the foregoing, expenses not annually recurring, premiums for insurance, administrative and engineering expenses relating to maintenance, repair and operation, fees and expenses of the Paying Agent, legal expenses, taxes lawfully imposed on the System, reasonable payments to pension or retirement funds for employees of the System, and any other expense of the System required or permitted to be paid by the City under the provisions of the Bond Resolution or by law, but shall not include any allowance for depreciation or deposits or transfers to the credit of the 2012 Debt Service Fund, the 2017 Debt Service Fund, the 2020 Bond Fund or the 2020 Debt Service Reserve Fund, as defined in the Bond Resolution.

“Debt Service Reserve Fund Requirement” shall mean the lesser of (i) the maximum amount of principal and interest becoming due in the current or any future Bond Year, on all Bonds then outstanding; (ii) 125% of average annual debt service on the Bonds; or (iii) ten

percent (10%) of the stated principal amount of such issue of Bonds, or if such issue of Bonds has more than a de minimis amount (as defined in Section 1.148-1(b) of the Treasury Regulations) of original issue discount or premium, ten percent (10%) of the issue price (as defined in Section 1.148-1(b) of the Treasury Regulations) of such issue of Bonds).

“Direct Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository.

“DTC” means The Depository Trust Company.

“DTC participants” shall mean any participant for whom DTC is a Security Depository Nominee.

“Financial Advisor” shall mean Government Consultants, Inc., Madison, Mississippi.

“Fiscal Year” shall mean the period commencing on the first day of October of any year and ending on the last day of September of the following year.

“Governing Body” shall mean the Mayor and City Council of the City.

“Indirect Participant” shall mean a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Direct Participant.

“Letter of Representations” shall mean the letter of representations from the City to DTC under the Book-Entry System.

“Mayor” shall mean the Mayor of the City.

“Net Revenues” shall mean all Revenues remaining after payment of Current Expenses and debt service on the SRF Loans, and which net revenues shall be subject to the parity lien of the 2012 W&S Bonds, the 2017 W&S Bonds, and the Bonds.

“Paying Agent” shall mean any bank, trust company or other institution hereafter designated by the Governing Body to make payments of the principal of and interest on the Bonds, and to serve as registrar and transfer agent for the registration of owners of the Bonds, and for the performance of other duties.

“Person” shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization and a government or agency or political subdivision thereof.

“Principal and Interest Requirements” for any Bond Year shall mean the sums sufficient for the payment of the principal of and interest on the Bonds, any parity bonds, including the 2012 W&S Bonds, 2017 W&S Bonds and subordinated indebtedness which will mature and accrue during such period.

“Project” shall mean providing funds for the (i) improvement, repair and extension of the combined water and sewer system of the City, and (ii) paying the costs of issuance of the Bonds.

“Purchaser” shall mean the successful bidder for the Bonds.

“Record Date” shall mean, as to interest payments, the 15th day of the calendar month preceding the dates set for payment of interest on the Bonds and, as to payments of principal, the 15th day of the calendar month preceding the maturity date or the date set for redemption.

“Record Date Registered Owner” shall mean the Registered Owner as of the Record Date.

“Redemption Price” shall mean, with respect to a Bond, the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the provisions of the Bond Resolution.

“Registered Owner” shall mean the person whose name shall appear in the registration records of the City maintained by the Transfer Agent.

“Revenue Fund” shall mean the revenue fund provided for in the 2012 Bond Resolution for the 2012 W&S Bonds and bonds issued on parity with the 2012 W&S Bonds, including the 2017 W&S Bonds and the Bonds.

“Revenues” shall mean all payments, proceeds, fees, charges, rents and all other income derived by or for the account of the City from its ownership and operation of the System, excluding all acreage, front-footage, assessment and similar fees and charges derived by the City in connection with the provision of or payment for capital improvements constituting a part of the System.

“Securities Depository” shall mean The Depository Trust Company and any substitute for or successor to such securities depository that shall maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” shall mean the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration records the Bonds to be delivered to such Securities Depository during the continuation with such Securities Depository of participation in its Book-Entry System.

“SRF Loans” shall mean the State Revolving Fund Loans, existing on the date of the issuance of the Bonds, from the State to the City under Sections 49-17-1 *et seq.*, Mississippi Code of 1972, as amended from time to time, which SRF Loans have a lien on Revenues of the System; however, the debt service for the SRF Loans is collected by the Mississippi Department of Revenue by diverting sales tax collections prior to remittance of the sales tax to the City and then subsequently reimbursed to the City from the Revenues of the System.

“Suez” shall mean SUEZ Water Environmental Services, Inc., a Mississippi Corporation, employed by the City on October 1, 2006, under an Agreement for Management, Operations and Maintenance of the City of Laurel, Mississippi Water and Wastewater Facilities for the management, operation and maintenance of the System.

“System” shall mean the combined water and sewer system of the City.

“Transfer Agent” shall mean any bank, trust company or other institution hereafter designated by the Governing Body for the registration of owners of the Bonds and for the performance of such other duties as may be herein or hereafter specified by the Governing Body.

“2012 Bond Resolution” shall mean the bond resolution adopted by the City on August 7, 2012, in connection with issuance of the 2012 W&S Bonds.

“2012 Contingent Fund” shall mean the fund created and established in the 2012 Bond Resolution for the 2012 W&S Bonds and bonds issued on parity therewith, including the 2017 W&S Bonds and the Bonds, and maintained by the City and described in Section 14(f) herein.

“2012 Debt Service Fund” shall mean the fund created and established in the 2012 Bond Resolution for the 2012 W&S Bonds and bonds issued on parity therewith, including the 2017 W&S Bonds and the Bonds, and maintained by the City and described in Section 14(c) herein.

“2012 Depreciation Fund” shall mean the fund created and established in the 2012 Bond Resolution for the 2012 W&S Bonds and bonds issued on parity therewith, including the 2017 W&S Bonds and the Bonds, and maintained by the City and described in Section 14(e) herein.

“2012 Operation and Maintenance Fund” shall mean the fund created and established in the 2012 Bond Resolution for the 2012 W&S Bonds and bonds issued on parity therewith, including the 2017 W&S Bonds and the Bonds, and maintained by the City and described in Section 14(a) herein.

“2012 W&S Bonds” shall mean the City’s \$3,500,000 Combined Water and Sewer System Revenue Bonds, Series 2012, dated September 1, 2012, which 2012 W&S Bonds were secured by the 2012 Bond Resolution.

“2017 Bond Resolution” shall mean the bond resolution adopted by the City on July 7, 2017, in connection with issuance of the 2017 W&S Bonds.

“2017 Debt Service Fund” shall mean the fund created and established in the 2017 Bond Resolution and bonds issued on parity therewith, including the 2012 W&S Bonds and the Bonds, and maintained by the City and described in Section 14(c) herein.

“2017 W&S Bonds” shall mean the City’s \$4,000,000 Combined Water and Sewer System Revenue Bonds, Series 2017, dated July 6, 2017, which 2017 W&S Bonds were secured by the 2017 Bond Resolution.

“2020 Bond Fund” shall mean the fund created and established herein for the Bonds as described in Section 14(c) of the Bond Resolution.

“2020 Construction Fund” shall mean the fund created and established for the Bonds in Section 17 of the Bond Resolution.

“2020 Debt Service Reserve Fund” shall mean the fund created and established herein for the Bonds as described in Section 14(d) of the Bond Resolution.

Purpose and Authorization

The Bonds are being issued to provide funds for the Project. The Bonds will be issued pursuant to the provisions of the Act and the Bond Resolution.

Form of the Bonds

The Bonds shall be dated the date of delivery thereof, shall be delivered in the denomination of Five Thousand Dollars (\$5,000) each, or integral multiples thereof up to the amount of a single maturity, shall be numbered from one (1) upward in the order of issuance, shall be issued in fully registered form, and shall bear interest from the date thereof at the rate or rates specified herein on August 1 and February 1 of each year (each an "Interest Payment Date"), commencing August 1, 2021.

Redemption Provisions

Bonds maturing on August 1, 2028 and thereafter, are subject to redemption prior to their stated dates of maturity, at par, plus accrued interest to the date of redemption, either in whole, or in part, on any date on or after August 1, 2027.

Notice of redemption identifying the numbers of Bonds or portions thereof to be redeemed shall be given to the Registered Owners thereof by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption. Failure to mail or receive any such notice, or any defect therein or in the mailing thereof, shall not affect the validity of any proceedings for the redemption of Bonds. Any notice mailed as provided in the Bond Resolution shall be conclusively presumed to have been given, irrespective of whether received. If such written notice of redemption is made and if due provision for payment of the redemption price is made, all as provided above, the Bonds which are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the owner to receive the redemption price out of the funds provided for such payment. If at the time of mailing of any notice of redemption, there shall not be on deposit with the Paying Agent sufficient moneys to redeem all of the Bonds called for redemption, such notice shall state that it is subject to the deposit of moneys with the Paying Agent not later than on the redemption date and shall be of no effect unless such moneys are deposited.

2020 Bond Fund

In the Bond Resolution the City establishes the 2020 Bond Fund for the Bonds, said fund to be maintained at a qualified depository of the City. Money deposited in the 2020 Bond Fund shall be used solely for the purpose of paying the interest on and principal of the Bonds when and as due. Accrued interest, if applicable, through the date of delivery of the Bonds shall be deposited in the 2020 Bond Fund.

Ownership of the Bonds

In the event the Purchaser shall fail to designate the names, addresses and social security or tax identification numbers of the Registered Owners of the Bonds within thirty (30) days of the date of sale, or at such other later date as may be designated by the City, one (1) Bond registered in the name of the Purchaser may be issued in the full amount for each maturity. Ownership of the Bonds shall be in the Purchaser until the initial Registered Owner has made timely payment and, upon request of the Purchaser, within a reasonable time of the initial delivery of the Bonds, the Paying Agent shall re-register any such Bond upon its records in the name of the Registered Owner to be designated by the Purchaser in the event timely payment has not been made by the initial Registered Owner.

Except as provided in the Bond Resolution, the Person in whose name any Bond shall be registered in the records of the City maintained by the Paying Agent may be deemed the absolute owner thereof for all purposes, and payment of or on account of the principal of or interest on any Bond shall be made only to or upon the order of the Registered Owner thereof, or his, her or its legal representative, but such registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Registration, Transfer and Exchange of the Bonds

So long as any of the Bonds shall remain outstanding, the City shall maintain with the Paying Agent records for the registration and transfer of the Bonds. The Paying Agent is appointed registrar for the Bonds by the Bond Resolution, in which capacity the Paying Agent shall register in such records and permit to be transferred thereon, under such reasonable regulations as may be prescribed, any Bond entitled to registration or transfer.

Each Bond shall be transferable only in the records of the City upon surrender thereof at the office of the Paying Agent, together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the Registered Owner or his attorney duly authorized in writing. Upon the transfer of any Bond, the City, acting through its Paying Agent, shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and maturity and rate of interest as the surrendered Bond or Bonds.

In all cases in which the privilege of transferring Bonds is exercised, the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution.

For so long as a book-entry only system is used for determining beneficial ownership of the Bonds, such interest shall be payable to DTC or its nominee. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants or the Indirect Participants (see, "Book-Entry Only System" herein).

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the

name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect

Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal payments, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal payments, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered holder of the Bonds as nominee of DTC, references herein to the Holders, holders, or Registered Owners of the Bonds mean Cede & Co. and not the Beneficial Owners of the Bonds.

THE CITY AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS; (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Bond Resolution a Contract

In consideration of the purchase and acceptance of any and all of the Bonds by the Registered Owners thereof, the Bond Resolution shall constitute a contract between the City and the Registered Owners from time to time of the Bonds. The pledge made in the Bond Resolution and the covenants and agreements set forth in the Bond Resolution to be performed on behalf of

the City for the benefit of the Registered Owners shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction.

SOURCES AND USES OF FUNDS

Proceeds of the issuance of the Bonds will be used to provide funds for the Project (all as provided hereinafter and as more fully described in the Bond Resolution).

The following is a summary of the estimated sources and uses of proceeds of the Bonds:

Sources

Par Amount	<u>\$5,000,000.00</u>
Total Sources	<u>\$5,000,000.00</u>

Uses

Cost of Construction Project ²	\$5,017,398.00
Underwriter's Discount	<u>(17,398.00)</u>
Total Uses	<u>\$5,000,000.00</u>

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² Includes payments for costs of issuance, which include but are not limited to, legal fees and expenses, financial advisory fees and expenses and the premium for the Bond Insurance Policy and the Surety Bond paid directly to the Bond Insurer.

DEBT SERVICE REQUIREMENTS FOR BONDS AND PARITY DEBT

The following table sets forth the estimated principal and interest requirements on the Bonds, the 2012 W&S Bonds and the 2017 W&S Bonds:

FY Ending September 30	2012 W&S Bonds and 2017 W&S Bonds			Bonds			Total Debt Service
	Principal	Interest	Total	Principal	Interest ³	Total	
2021	310,000.00	165,506.26	475,506.26	170,000.00	77,850.31	247,850.31	723,356.57
2022	320,000.00	157,650.02	477,650.02	175,000.00	80,762.50	255,762.50	733,412.52
2023	335,000.00	149,325.02	484,325.02	180,000.00	77,262.50	257,262.50	741,587.52
2024	345,000.00	140,368.76	485,368.76	190,000.00	73,662.50	263,662.50	749,031.26
2025	360,000.00	130,918.76	490,918.76	195,000.00	69,862.50	264,862.50	755,781.26
2026	370,000.00	121,918.76	491,918.76	205,000.00	65,962.50	270,962.50	762,881.26
2027	385,000.00	112,431.26	497,431.26	210,000.00	61,862.50	271,862.50	769,293.76
2028	405,000.00	102,318.76	507,318.76	220,000.00	57,662.50	277,662.50	784,981.26
2029	415,000.00	91,681.26	506,681.26	230,000.00	54,362.50	284,362.50	791,043.76
2030	430,000.00	80,518.76	510,518.76	240,000.00	50,912.50	290,912.50	801,431.26
2031	445,000.00	68,425.00	513,425.00	250,000.00	47,312.50	297,312.50	810,737.50
2032	465,000.00	55,637.50	520,637.50	260,000.00	43,562.50	303,562.50	824,200.00
2033	245,000.00	42,275.00	42,275.00	270,000.00	39,662.50	309,662.50	351,937.50
2034	260,000.00	34,925.00	34,925.00	280,000.00	35,612.50	315,612.50	350,537.50
2035	270,000.00	27,125.00	27,125.00	290,000.00	31,412.50	321,412.50	348,537.50
2036	280,000.00	18,687.50	18,687.50	300,000.00	27,062.50	327,062.50	345,750.00
2037	295,000.00	9,587.50	9,587.50	315,000.00	22,562.50	337,562.50	347,150.00
2038	.00	.00	.00	325,000.00	17,443.76	342,443.76	342,443.76
2039	.00	.00	.00	340,000.00	12,162.50	352,162.50	352,162.50
2040	.00	.00	.00	355,000.00	6,212.50	361,212.50	361,212.50
Total	\$5,935,000.00	\$1,509,300.12	\$6,094,300.12	\$5,000,000.00	\$953,169.07	\$5,953,169.07	\$12,047,469.19

³ Calculated based on interest rates set forth on the inside of the front cover.

SECURITY FOR THE BONDS

The Bonds will be special obligations of the City payable solely from and secured by a lien on the Net Revenues as collected and received by the City from the operation and ownership of the System, subject to the prior payment of debt service on the SRF Loans, and subject to the parity lien of the debt service on the City's 2012 W&S Bonds and 2017 W&S Bonds. The Bond Resolution defines Net Revenues to mean all System Revenues remaining after payment of Current Expenses subject to the prior payment of debt service on the SRF Loans and subject to the parity lien of the debt service on the City's 2012 W&S Bonds and the 2017 W&S Bonds.

The Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory restriction, limitation or provision, and the taxing power of the City is not pledged to the payment of the Bonds, either as to principal or interest.

Revenues Available for Debt Service

The following schedule, based on projections and information supplied by the City, sets forth the actual and projected Net Revenues of the System for the period of Fiscal Years 2020 to 2028, which were based on the City's rate schedule adjusted by 5% increase in 2020 and 2% in years 2021 through 2028. Historical calculations were based on actual data in the City's annual audits (Fiscal Years 2012 through 2019). Revenue and expense figures for Fiscal Year 2020 are based on the adopted budget for the System. Revenue projections for Fiscal Years 2021-2028 are based on projected growth of one percent (2%) per year. Expenses are projected to increase three percent (3%) each year for Fiscal Years 2020-2028. Debt service coverage for Fiscal Years 2012-2022 range from a low of 1.40% in 2024 to a high of 5.32% in year 2012. The schedule should be reviewed based on the following assumptions:

1. Assuming 8,152 water customers and 7,258 sewer customers;
2. Water and sewer rates adopted in 2017 are currently in place;
3. Water and sewer usage are projected to remain constant;
4. Revenue projections are based on growth of two percent (2%) per year starting in 2021. Expenses are projected to increase two percent (3%) per year starting in 2020; and
5. Debt service is based on the following:
 - (a) \$2,995,000 City of Laurel, Mississippi General Obligation Water and Sewer Refunding Bonds, Series 2012 - 12 years @ 2.1006153% net interest cost.
 - (b) 3,500,000 City of Laurel, Mississippi Combined Water and Sewer System Revenue Bonds, Series 2012 - 20 years @ 2.6191431% net interest cost;
 - (c) State Revolving Loans; and (iv) CAP Loan; and
 - (d) Projected \$5,000,000 City of Laurel, Mississippi Combined Water and Sewer System Revenue Bonds, Series 2020 - 20 years @ 4.50% net interest cost.

The following "Statement of Revenues, Expenditures, and Debt Service Coverage" chart sets forth the projected increase in revenues for Fiscal Years 2020 through 2028 and the projected debt service coverage in excess of 110% as required by the 2012 W&S Bonds, the 2017 W&S Bonds, and bonds issued on parity therewith, including the Bonds:

Statement of Revenues, Expenditures, and Debt Service Coverage:

City of Laurel - Debt Service Coverage Projections																	
Projected Revenue Growth	-	-2.27%	5.36%	2.56%	9.03%	-5.09%	6.74%	3.30%	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Projected Expenditures Growth		-0.55%	7.29%	-0.44%	1.64%	4.07%	3.22%	11.48%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Audited Financial Statements								Projections								
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating Revenues	9,258,689	9,048,744	9,533,782	9,777,409	10,659,962	10,117,463	10,799,057	11,155,265	11,713,028	11,947,289	12,186,235	12,429,959	12,678,558	12,932,130	13,190,772	13,454,588	13,723,679
Net of Depreciation Operating Expenses	6,223,102	6,188,570	6,639,508	6,610,536	6,719,246	6,992,866	7,218,214	8,046,633	8,288,032	8,536,673	8,792,773	9,056,556	9,328,253	9,608,101	9,896,344	10,193,234	10,499,031
Net Revenues	3,035,587	2,860,174	2,894,274	3,166,873	3,940,716	3,124,597	3,580,843	3,108,632	3,424,996	3,410,616	3,393,461	3,373,403	3,350,305	3,324,029	3,294,429	3,261,354	3,224,648
Revenue Bonds																	
Series 2012 Revenue Bonds	-	226,588	227,688	228,638	229,438	225,088	225,738	226,238	226,588	227,588	229,081	230,256	231,100	231,600	231,975	231,988	236,625
SRF-C280730-03-2 Loan	133,109	132,809	132,809	132,809	132,809	132,809	132,809	132,809	132,809	132,809	132,809	132,809	132,809	-	-	-	-
SRF-C280730-04-2 Loan	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123	259,123
DWI-H280093-01-2 & DWI-L340021-01-2	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608	54,608
SRF-C280730-05-1 Loan	80,912	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735	242,735
DWI-L340021-02-2	-	-	-	-	206,423	247,707	247,707	247,707	247,707	247,707	247,707	247,707	247,707	247,707	247,707	247,707	247,707
SRF-C280730-06-2 Loan	-	-	-	-	49,870	299,220	299,220	299,220	299,220	299,220	299,220	299,220	299,220	299,220	299,220	299,220	299,220
CAP-01-228-CP-01	33,276	33,276	33,276	33,276	33,276	33,276	33,276	33,276	33,276	33,276	30,503	-	-	-	-	-	-
Series 2017 Revenue Bonds							234,773	246,506	247,119	247,919	248,569	254,069	254,269	259,319	259,944	265,444	270,694
Series 2020 Revenue Bond										247,850	255,763	257,263	263,663	264,863	270,963	271,863	277,663
Total Revenue Bonds	561,027	949,138	950,238	951,188	1,208,281	1,494,566	1,729,989	1,742,222	1,743,185	1,992,835	2,000,118	1,977,790	1,985,234	1,859,175	1,650,338	1,613,565	1,629,252
Revenue Bond Debt Service Coverage	5.41	3.01	3.05	3.33	3.26	2.09	2.07	1.78	1.96	1.71	1.70	1.71	1.69	1.79	2.00	2.02	1.98
Coverage Requirement	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
General Obligation Bonds																	
Series 2012 Refunding	9,914	272,681	275,556	277,281	282,781	288,081	288,231	288,281	292,856	291,619	294,697	302,100	299,056	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total General Obligation Bonds	9,914	272,681	275,556	277,281	282,781	288,081	288,231	288,281	292,856	291,619	294,697	302,100	299,056	-	-	-	-
Total Revenue & G/O Debt	570,941	1,221,819	1,225,794	1,228,469	1,491,062	1,782,647	2,018,220	2,030,504	2,036,041	2,284,454	2,294,815	2,279,890	2,284,291	1,859,175	1,650,338	1,613,565	1,629,252
Total Debt Service Coverage	5.32	2.34	2.36	2.58	2.64	1.75	1.77	1.53	1.68	1.49	1.48	1.48	1.47	1.79	2.00	2.02	1.98

ASSUMPTIONS:

- Revenues projected to grow at 2% annually, beginning in FY 2021.
- Expenses projected to grow at 3% annually beginning in FY 2020.

SRF Loans

The SRF Loans are loans from the State to the City which were made by the City to finance improvements to the System. The total amount of SRF Loans currently outstanding is approximately \$8,622,541.98.⁴ Although the SRF Loans have a lien on the Revenues of the System, they are paid from monies collected by the Mississippi Department of Revenue by diverting sales tax collections prior to remittance of the sales tax to the City. The City can subsequently reimburse itself from the Revenues of the System.

Funds

The 2012 Bond Resolution provided for the creation and establishment of the Revenue Fund to be utilized in connection with the 2012 W&S Bonds and bonds issued on parity therewith. Upon full payment of the 2012 W&S Bonds either by refunding/redemption or by maturity, the Revenue Fund continued and will continue to be utilized in connection with the 2012 W&S Bonds and bonds issued on parity therewith, including the Bonds.

The 2012 Bond Resolution provided for the creation and establishment of the following funds to be held by the City for the 2012 W&S Bonds and bonds issued on parity therewith, including the Bonds:

- 2012 Revenue Fund
- 2012 Operation and Maintenance Fund
- 2012 Debt Service Fund
- 2012 Debt Service Reserve Fund
- 2012 Contingent Fund
- 2012 Depreciation Fund

The 2017 Bond Resolution provided for the creation and establishment of the Revenue Fund to be utilized in connection with the 2017 W&S Bonds and bonds issued on parity therewith. Upon full payment of the 2017 W&S Bonds either by refunding/redemption or by maturity, the Revenue Fund continued and will continue to be utilized in connection with the 2017 W&S Bonds and bonds issued on parity therewith, including the Bonds.

The 2017 Bond Resolution provided for the creation and establishment of the following funds to be held by the City for the 2012 W&S Bonds and bonds issued on parity therewith, including the Bonds:

- 2017 Revenue Fund
- 2017 Operation and Maintenance Fund
- 2017 Debt Service Fund
- 2017 Debt Service Reserve Fund
- 2017 Contingent Fund
- 2017 Depreciation Fund

The Bond Resolution provides for the creation and establishment of the following funds to be held by the City for the Bonds and bonds issued on parity therewith:

⁴ As of July 1, 2020.

2020 Bond Fund
2020 Construction Fund
2020 Debt Service Reserve Fund

The moneys in the foregoing funds shall be held separate and apart from all other funds of the City and shall be applied in the manner provided in the Bond Resolution, and, pending such application, shall be subject to a lien and charge in favor and for the security of Registered Owners of the Bonds and the lien of the State regarding the SRF Loans until paid out or transferred as provided in the Bond Resolution. Any surplus Revenues remaining after all deposits and transfers required by the Bond Resolution shall be used solely for purposes pertaining to the System.

Revenues of the System and Application Thereof

All Revenues shall be set aside as collected and shall be deposited into the Revenue Fund utilized in connection with the 2012 W&S Bonds and bonds issued on parity with the 2012 W&S Bonds, including the 2017 W&S Bonds and the Bonds. Moneys in said fund shall not be subject to lien or attachment by any creditor of the City and shall be set aside for, allocated to and deposited by the Clerk to the extent available in the following order of preference in the following separate and special funds, created pursuant to the 2012 Bond Resolution, the 2017 Bond Resolution and Bond Resolution, as applicable, without further direction of or action by the Governing Body or other authority of the City:

(a) On the first business day of each month, commencing in the first month after delivery of the Bonds, there shall be deposited into the 2012 Operation and Maintenance Fund created by the 2012 Bond Resolution for the 2012 W&S Bonds and bonds issued on parity therewith, including the 2017 W&S Bonds and the Bonds, an amount which will provide for the payment of the Current Expenses to be paid during such calendar month, and, in the event that the aggregate amounts deposited into such fund pursuant to this subsection (a) during the preceding months shall have been insufficient to pay all such expenses, an amount sufficient to repay such deficiencies.

(b) To the City such amount necessary to reimburse the general fund of the City for debt service due on the SRF Loans deducted by the Mississippi Department of Revenue from the sales tax rebate to the City.

(c) On the first business day of each month, commencing in the first month after the delivery of the Bonds, there shall be deposited (i) into the 2012 Debt Service Fund an amount which, together with equal subsequent monthly deposits on the first business day of each successive month, will provide a sum equal to the amount necessary to pay interest and principal due and payable through the date on which the next installment of principal on the 2012 W&S Bonds is due; (ii) into the 2017 Debt Service Fund an amount which, together with equal subsequent monthly deposits on the first business day of each successive month, will provide a sum equal to the amount necessary to pay interest and principal due and payable through the date on which the next installment of principal on the 2017 W&S Bonds is due; and (iii) into the 2020 Bond Fund, which is hereby established, an amount which, together with equal subsequent monthly deposits on the first business day of each successive month, will provide a sum equal to the amount necessary to pay interest and principal due and payable through the date on which the next installment of principal on the Bonds is due.

(d) Provided, that in addition to the moneys required to be paid into the 2020 Bond Fund, the 2020 Debt Service Reserve Fund shall be and is hereby established in order to meet any deficiency in the 2020 Bond Fund in future years. In order to fully fund the 2020 Debt Service Reserve Fund, the Clerk shall on the first business day of each month, commencing in the first month after the delivery of the Bonds, continually through the sixtieth (60th) month after the delivery of the Bonds, deposit one sixtieth (1/60th) of the amount representing the Debt Service Reserve Fund Requirement, until the balance in the 2020 Debt Service Reserve Fund meets the Debt Service Reserve Fund Requirement, at which amount the 2020 Debt Service Reserve Fund shall thereafter be maintained by such future payments as may be necessary to maintain said balance. Notwithstanding any other provision contained herein, upon the determination of any deficiency in the total amount on deposit in the 2020 Debt Service Reserve Fund the full amount of such deficiency shall be fully funded within one (1) year of such determination. The 2020 Debt Service Reserve Fund shall be used only to pay maturing principal and accruing interest, or both, and only whenever and to the extent that funds otherwise available in the 2020 Bond Fund are insufficient for that purpose. No funds paid into the 2020 Debt Service Reserve Fund shall be used to prepay the principal unless such prepayment is for the entire balance of the principal amount of the Bonds. If the amount on deposit in the 2020 Debt Service Reserve Fund as valued on the last day of any Bond Year is more than the Debt Service Reserve Fund Requirement, the amount of such excess shall be transferred to the 2020 Bond Fund.

(e) In order to fully fund the 2012 Depreciation Fund, the Clerk shall immediately upon delivery of the Bonds deposit a portion of the proceeds of the Bonds, which, together with amounts already on deposit therein, will equal Five Thousand Dollars (\$5,000) at which total amount of Five Thousand Dollars (\$5,000) said fund shall thereafter be maintained by such future payments as may be necessary for that purpose. Notwithstanding any other provision contained herein, upon the determination of any deficiency in the total amount on deposit in the 2012 Depreciation Fund the full amount of such deficiency shall be fully funded within one (1) year of such determination. The 2012 Depreciation Fund shall be used for the purpose of paying the cost of replacing such parts of the System as may need replacement in order to keep the System operating in an economical and efficient manner upon written certification by the Consulting Engineers (or, if applicable, upon receiving the recommendation from Suez) to the Governing Body certifying the necessity for such expenditure and concurring in the necessity for such expenditure from the 2012 Depreciation Fund; provided, however, that in the event the funds otherwise established by the 2012 Bond Resolution, the 2017 Bond Resolution and the Bond Resolution for the payment of the principal of and interest on the 2012 W&S Bonds, the 2017 W&S Bonds and the Bonds, respectively, should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal as set forth in paragraph (b) of this section shall be drawn from the 2012 Depreciation Fund and shall be used, together with funds otherwise available, to pay such accruing interest and to provide for the payment of principal as set forth in paragraph (b) of this section.

(f) In order to fully fund the 2012 Revenue Fund, the Clerk shall immediately upon delivery of the Bonds deposit a portion of the proceeds of the Bonds, which, together with amounts already on deposit therein, will equal Five Thousand Dollars (\$5,000) at which total amount of Five Thousand Dollars (\$5,000) said fund shall thereafter be maintained by such future payments as may be necessary for that purpose. Notwithstanding any other provision contained herein, upon the determination of any deficiency in the total amount on deposit in the 2012 Contingent Fund the full amount of such deficiency shall be fully funded within one (1) year of such determination. The 2012 Contingent Fund

shall be used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the System, including the construction of reasonable and proper improvements, betterments, and extensions thereto upon written certification by the Consulting Engineers (or, if applicable, upon receiving the recommendation from Suez) to the Governing Body certifying the necessity for such expenditure and concurring in the necessity for such expenditure from the 2012 Contingent Fund; provided, however, that in the event the funds otherwise established by the 2012 Bond Resolution, 2017 Bond Resolution and the Bond Resolution for the payment of the principal of and interest on the 2012 W&S Bonds, the 2017 W&S Bonds and the Bonds, respectively, should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal as set forth in paragraph (c) of this section shall be drawn from the 2012 Contingent Fund and shall be used, together with funds otherwise available, to pay such accruing interest and to provide for the payment of principal as set forth in paragraph (c) of this section.

The moneys in the foregoing funds shall be held separate and apart from all other funds of the City and shall be applied in the manner provided, and, pending such application, shall be subject to a lien and charge in favor and for the security of Registered Owners and the parity lien of the 2012 W&S Bonds and the 2017 W&S Bonds until paid out or transferred as herein provided. Any surplus Revenues remaining after all deposits and transfers required or allowed by the 2012 Bond Resolution and the Bond Resolution shall be used solely for purposes pertaining to the System.

Investment of Moneys on Deposit in the Funds

All sums in the Funds referred to in the Bond Resolution shall be kept on deposit in bank accounts separate from all other bank accounts of the City in a bank or banks having Federal Deposit Insurance Corporation insurance of its accounts and at all times shall be continuously secured as provided by the laws of the State of Mississippi for other funds of the City, or, in the discretion of the Governing Body, may be invested as directed in the 2012 Bond Resolution, the 2017 Bond Resolution and the Bond Resolution, as applicable, in investments authorized under the laws of the State of Mississippi as may now be or hereafter become applicable. Such investments shall mature or be redeemable prior to the time the funds so invested will be needed for expenditure. Any interest or other income received from investments shall accrue to and be deposited in the fund which generated such income or to which such income is attributable and applied toward the purposes set forth in such fund.

System Insurance

As long as any of the Bonds shall remain outstanding and unpaid, the City shall carry and maintain all-risk insurance upon all the properties forming a part of the System which may be of an insurable nature, such insurance to be of the type and kind and for such amount or amounts as carried and maintained by other municipalities rendering services of a similar character in similar communities. The proceeds of all such insurance shall be used only for the maintenance and restoration of the System, or for the payment of the principal of and the interest on the 2012 W&S Bonds, the 2017 W&S Bonds and the Bonds.

2020 Bond Fund

Amounts in the 2020 Bond Fund will be used to pay the principal and the redemption price (including premium, if any) of, and the interest on the Bonds.

2012 Operation and Maintenance Fund

Amounts held in the 2012 Operation and Maintenance Fund will be applied by the City to the payment of the Current Expenses as they accrue in accordance with the annual budget of the City for the System.

2012 Depreciation Fund

Funds in the 2012 Depreciation Fund shall be used for the purpose of paying the cost of replacing such parts of the System as may need replacement in order to keep the System operating in an economical and efficient manner upon written certification by the Consulting Engineers (or, if applicable, upon receiving the recommendation from Suez) to the Governing Body certifying the necessity for such expenditure and concurring in the necessity for such expenditure from the 2012 Depreciation Fund; provided, however, that in the event the funds otherwise established by the 2012 Bond Resolution, the 2017 Bond Resolution and the Bond Resolution for the payment of the principal of and interest on the 2012 W&S Bonds, the 2017 W&S Bonds and the Bonds, respectively, should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal as set forth in paragraph (b) of this section shall be drawn from the 2012 Depreciation Fund.

2012 Contingent Fund

Funds on deposit in the 2012 Contingent Fund shall be used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the System, including the construction of reasonable and proper improvements, betterments, and extensions thereto upon written certification by the Consulting Engineers (or, if applicable, upon receiving the recommendation from Suez) to the Governing Body certifying the necessity for such expenditure and concurring in the necessity for such expenditure from the 2012 Contingent Fund; provided, however, that in the event the funds otherwise established by the 2012 Bond Resolution, 2017 Bond Resolution and the Bond Resolution for the payment of the principal of and interest on the 2012 W&S Bonds, the 2017 W&S Bonds and the Bonds, respectively, should be insufficient for said purpose, then and in that event, to the extent of any such insufficiency, the amount necessary to pay accruing interest and to provide for the payment of the principal shall be drawn from the 2012 Contingent Fund

2020 Debt Service Reserve Fund

The 2020 Debt Service Reserve Fund is to be held by the City and maintained to meet any deficiency in the 2020 Bond Fund. The 2020 Debt Service Reserve Fund will be funded with Revenues over a thirty-six (36) month period following the delivery of the Bonds and will be maintained at the required balance set forth in the Bond Resolution. The 2020 Debt Service Reserve Fund shall be used only to pay maturing principal and accruing interest, or both, and only whenever and to the extent that funds otherwise available in the 2020 Bond Fund are insufficient for that purpose. No funds paid into

the 2020 Debt Service Reserve Fund shall be used to prepay the principal unless such prepayment is for the entire balance of the principal amount of the Bonds.

2020 Construction Fund

A portion of the principal proceeds derived from the sale of the Bonds shall be deposited in the 2020 Construction Fund hereby created by this Bond Resolution and shall be applied solely and only for the purpose for which the Bonds are herein directed to be issued for the Cost of the Construction Project. Any income received from investment of monies in the 2020 Construction Fund shall be deposited in the 2020 Construction Fund or the 2020 Bond Fund for the payment of debt service on the Bonds during the construction period for the Construction Project.

Said proceeds deposited into the 2020 Construction Fund shall be disbursed only upon proper warrant issued pursuant to certification by the Consulting Engineers (or, if applicable, Suez) stating that:

(i) the purpose for which the payment is to be made is a Cost of the Construction Project within the scope of the work contemplated by this Bond Resolution;

(ii) the work done is, or the materials furnished are, in accordance with the contract therefor (if such work is done or such materials are furnished under a contract), or such work is or that such materials are suitable for the intended purpose (if such payments are not covered by an express contract); and

(iii) the amount of such payment is in accordance with the contract or is reasonable. Nothing herein shall be construed to prohibit the payment from the 2020 Construction Fund without such a certificate of a portion or all of the expenses necessarily incident to the costs of issuance and sale of the Bonds. Said cost of issuance expenses approved by the City is hereby authorized to be paid at Closing without further authorization or approval of the Governing Body.

Any balance remaining in the 2020 Construction Fund after the Construction Project has been completed, and all related costs and expenses paid, shall be deposited into the 2020 Bond Fund and expended in accordance with State law.

A portion of the proceeds received upon the sale of the Bonds shall be deposited in the 2020 Construction Fund pursuant to the Bond Resolution. Amounts in the 2020 Construction Fund (including investment earnings) will be applied to pay the Cost of the Construction Project, including the costs of issuance, provided, however, investment earnings may be deposited to the 2020 Bond Fund to pay debt service on the Bonds during the construction period for the Construction Project. Any balance remaining in the 2020 Construction Fund after the Construction Project has been completed, and all related costs and expenses paid, shall be deposited into the 2020 Bond Fund and expended in accordance with State law.

Additional Bonds

From and after the issuance of the Bonds, no additional bonds shall be issued, or obligations incurred by the City which are payable in whole or in part from or chargeable to Net Revenues (except

obligations incurred in the operation and maintenance of the System), unless such additional bonds or obligations are in all respects junior and subordinate to the Bonds.

(a) The City shall have the right to issue one or more additional bond series to be secured by a parity lien on and ratably payable from Net Revenues and any other security pledged to the Bonds, provided in each instance that:

(i) the Net Revenues available for payments of principal and interest on the Bonds for a period of 12 consecutive months during the 18 months preceding the month in which such additional parity bonds are issued must be certified by an accountant to have been at least equal to 110% of the highest annual debt service payments in any succeeding Bond Year with respect to the Bonds, any other outstanding bonds, including the 2012 W&S Bonds, the 2017 W&S Bonds, and the bonds proposed to be issued; or in lieu of the foregoing formula, if a new schedule of rates, fees and charges for the services, facilities and commodities of the System shall have been adopted, then the Net Revenues available for debt service payments (taking into account such new rates) must be certified by an accountant to have been at least equal to 110% of the highest annual debt service payments in any succeeding Bond Year with respect to the Bonds, any other outstanding bonds, including the 2012 W&S Bonds, the 2017 W&S Bonds and the bonds proposed to be issued during the period set forth above;

(ii) the pledge of and lien on the Net Revenues and amounts on deposit from time to time in the 2020 Bond Fund shall be extended for the benefit of the Registered Owners of the additional bonds; and

(iii) the resolution under which the proposed bonds are being issued shall provide for the funding of the increase in the 2020 Debt Service Reserve Fund resulting from the issuance of such additional bonds from the proceeds of such additional bonds.

(b) The City hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

(i) Adjust the deposits into the 2020 Bond Fund in the following manner: On the first business day of each month, commencing in the first month after the delivery of the additional bonds, there shall be deposited into the 2020 Bond Fund an amount which, after taking into account any amounts already on deposit and equal subsequent monthly deposits on the first business day of each successive month, will provide a sum equal to the amount necessary to pay interest and principal due and payable through the date on which the next installment of principal on the Bonds and the additional bonds is due.

(ii) Adjust the amount of the 2020 Debt Service Reserve Fund to a sum equal to the lesser of the following: (1) the Debt Service Reserve Fund Requirement as calculated for the Bonds, and such additional parity bonds; and (2) the maximum amount which, if deposited therein, in the opinion of nationally recognized bond counsel, would not adversely affect the tax-exempt status of interest on the Bonds and such additional bonds. The additional funds required to provide the lesser of (1) or (2) as set forth in the immediately preceding sentence shall be funded from the proceeds of the additional parity bonds.

(iii) Adjust the maximum amounts to be deposited annually into the 2012 Depreciation Fund and the 2012 Contingent Fund, taking into account the future replacement cost of the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds, by depositing into said funds on the first business day of each month, commencing in the first month after the delivery of such additional parity bonds, such amount, if any, of the balance remaining after making the deposits under clauses (i) and (ii) above (or the entire balance if less than the required amount) as is required by the resolution under which such additional parity bonds are issued.

(c) The City shall have the right to call, subject to the call provisions of the respective bond series, any or all outstanding bonds which may be called at par prior to calling any bonds that are callable at a premium. If it is provided in any subsequently issued series of bonds secured by a parity lien on Net Revenues that excess moneys in the 2012 Debt Service Fund and the 2020 Bond Fund shall be used to redeem bonds in advance of scheduled maturity or if the City, at its option, undertakes to redeem outstanding bonds in advance of scheduled maturity, it is agreed and understood that:

(i) calls of or prepayment on bonds will apply to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of bonds outstanding at the time of such call); and

(ii) calls of bonds for each bond series will be in accordance with the call provisions of the respective bond series.

The City may issue bonds junior and subordinate to the Bonds at any time, provided that the issuance of such bonds does not violate any covenant of the City concerning any of its then outstanding bonds.

FINANCIAL ADVISOR

The City has retained the firm of Government Consultants, Inc., Madison, Mississippi as independent financial advisor (the "Financial Advisor") to the City in connection with the issuance of the Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the City with respect to the preparation of documents, the preparation for the sale of the Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Bonds.

Although the Financial Advisor performed an active role in drafting of the Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from municipal records and from other sources which are believed to be reliable, including financial records of the City and other entities which may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any information obtained from sources other than the City. Any summaries or excerpts of statutes, ordinances, resolutions or other documents do not purport to be complete statements of same and reference is made to such original sources in all respects.

TAX EXEMPTION

General

In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income seventy-five percent (75%) of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State statutes, interest on the Bonds is exempt from State income tax. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State or any other state or jurisdiction.

Financial Institutions

Section 265(b)(1) of the Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their otherwise allowable interest expense allocable

to tax exempt obligations acquired after August 7, 1986 (other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code).

The City has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry "qualified tax-exempt obligations" is deductible.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fail to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Changes in Federal and State Tax Laws

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT

The Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their

stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as federally tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such Discount Bonds for a price that is higher or lower than the “adjusted issue price” of the Discount Bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

TAX TREATMENT OF ORIGINAL ISSUE PREMIUM

The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is

allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Bonds within twelve (12) months after the end of each fiscal year of the City ending in or after September 30, 2020 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, in certain cases if deemed material under federal laws. The Annual Report and notices of material events will be filed by the City with (a) the Municipal Securities Rulemaking Board (the "MSRB") through MSRB's Electronic Municipal Market Assess system at <http://emma.msrb.org> ("EMMA") in the electronic format then prescribed by the Securities and Exchange Commission (the "SEC") pursuant to SEC Rule 15c2-12(b)(5) (the "Rule"), and with (b) any public or private repository or entity designated by the State as a State repository, if any, for the purposes of the Rule. This information will be made available free to securities brokers and the general public through EMMA. For the procedures for all filings and notices due to the MSRB, instructions will be provided on the following website for MSRB: <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX D to this Official Statement. These covenants have been made in order to assist the Purchaser in complying with the Rule.

There have been instances in the past five years that the City has failed to file certain annual financial information and operating data as required by its prior continuing disclosure undertakings. On May 1, 2017 the City filed certain System-related information required under its 2012 W&S Bonds continuing disclosure undertakings for fiscal years 2012 through 2015 and filed a notice of failure to file certain information required under its continuing disclosure undertakings for its prior debt subject to the Rule, for fiscal years 2012 through 2015. The notice of failure to file is available online at <https://emma.msrb.org/ER1053186-ER825179-ER1226187.pdf>.

The City adopted policies and procedures on November 18, 2014 (the "Policy") to ensure timely filing of its Annual Report. The City has hired a dissemination agent to file the City's required Annual Report.

For a summary of the City's undertaking, see **APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE** attached hereto.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is a Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Bonds. The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an “AS IS” basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM’s website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for

such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned an insured rating of "AA" to the Bonds with the understanding that upon delivery of the Series 2020 Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by BAM. Explanations of such ratings may be obtained from S&P, 55 Water Street, New York, New York 10041. This rating reflects only the view of S&P and the City makes no representation as to the appropriateness of this rating. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

MISCELLANEOUS AND LEGAL INFORMATION

No Default on Securities

No securities of the City have been in default as to principal or interest payments or in any other material respect at any time in at least the last 25 years. No principal or interest on any obligation of the City is past due.

No Bond Proceeds for Current Operating Expenses

No proceeds from the sale of securities (except tax anticipation notes issued against revenues of a current fiscal year) have been used for current operating expenses at any time in at least the last ten years.

Pension Plan

The City has no pension plan or retirement plan for employees. City employees are members of and contribute to the Mississippi Public Employees' Retirement System (PERS), a cost-sharing, multiple employer retirement system administered by the State for the benefit of its local governments and State

personnel. Benefit provisions are established by State statute and may be amended from time to time only by the State Legislature.

In June 2012, the Government Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions ("**GASB-68**"). The objective of GASB-68 is to improve accounting and financial reporting of government pensions. Also, GASB-68 improves information provided by government employers about financial support for pensions that is provided by other entities. Requirements of GASB-68 are effective for financial statements whose fiscal year begins after June 15, 2014 (Fiscal Year 2015 for the City).

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate at June 30, 2017 was 15.75% of annual covered payroll. On June 26, 2018, the PERS Board of Trustees voted to increase the employer contribution rate from 15.75 to 17.40 percent, effective July 1, 2019. The City contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$1,539,056, \$1,430,801 and \$1,446,082, respectively, which equaled the required contributions for each year.

At September 30, 2019, the City reported a liability of \$30,878,876 for its proportionate share of the net pension liability. See Page 56, Note 8 of the City's 2019 audited Financial Statements included in "APPENDIX D - Financial Information Concerning the City.

Post-Employment Benefits Other Than Pensions

Effective with the fiscal year ended September 30, 2016 audit, the City was required to apply GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* ("**GASB 75**"), to its audited financial statements. GASB 75 changes accounting and financial reporting for OPEB. Fund level statements, including the General Fund statements, will not be impacted by the GASB 75 reporting.

Independent Auditors

The audited financial statements of the City for the year ended September 30, 2019 included in this Official Statement as APPENDIX C, have been audited by Holt & Associates, PLLC, Certified Public Accountants, as stated in the report appearing therein (the "**Audit Report**").

The City has not and will not obtain a consent letter from its auditor for the inclusion of the audit report in this Official Statement. Holt & Associates, PLLC, Certified Public Accountants, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Holt & Associates, PLLC, Certified Public Accountants also has not performed any procedures relating to this Official Statement.

Legal Proceedings

There are no pending legal proceedings which might be expected to affect the City's ability to perform its obligations to the Registered Owners of the Bonds.

Validation

Prior to issuance, the Bonds will be validated before the Chancery Court of Jones County as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

Approval of Legal Proceedings

All legal matters in connection with the authorization and issuance of the Bonds are subject to the final approval of the legality thereof by Bond Counsel. The form of the opinion of Bond Counsel is attached hereto as APPENDIX E and will be available in final form at the time of delivery of the Bonds. No representation is made to the Registered Owners of the Bonds that Bond Counsel has verified the accuracy, completeness or fairness of the statements in the Official Statement and Bond Counsel assumes no responsibility to the registered owners of the Bonds except for the matters set forth in such opinion.

Bankruptcy

The City is a "Municipality" as that term is defined in Title 11 of the United States Code (the "Bankruptcy Code").⁵ Section 109(c) of the Bankruptcy Code prescribes the conditions and circumstances under which a Municipality may file a petition for relief under the Bankruptcy Code. As a debtor, a Municipality may *only* file for relief pursuant to Chapter 9 of the Bankruptcy Code ("Chapter 9"). Pursuant to Section 303(a) of the Bankruptcy Code, no creditor or judgment holder of a Municipality may file a Chapter 9 petition on behalf of a Municipality.

Pursuant to Section 109(c)(2) of the Bankruptcy Code, before a municipality may file a petition under Chapter 9 of the Bankruptcy Code, a municipality must be specifically authorized by (a) state law or (b) a governmental officer or organization empowered to authorize such a filing. Accordingly, before a Municipality in the State of Mississippi (the "State") may file for Chapter 9 protection, it must have specific authority granted to it. Currently, there is no State statute that prescribes, authorizes or otherwise contains authorization for any Municipality to file for Chapter 9 protection, or delegates such authority to a governmental officer or organization. As such, in order for a State Municipality, including the City, to file for Chapter 9 relief, the Municipality must obtain specific authority from the State Legislature.

The State Legislature is comprised of the Senate and the House of Representatives. The Senate is composed of 52 members, and the House of Representatives consists of 122 members. Each member of each chamber is elected to a four-year term. In the State, the Legislature convenes annually on the first Tuesday after the first Monday each January. Regular sessions of the State Legislature last 90 days in all years of an administration except for the first session after a new governor has been elected, when a 125-day session is held.

In order to obtain specific authority from the State Legislature to file for relief pursuant to Chapter 9, a Municipality would have to request both houses during the annual session of the State Legislature to approve a bill authorizing the Municipality to file for relief pursuant to Chapter 9 and such bill would have to be signed into law by the Governor of the State. There is no appeal process or any other

⁵ Section 101(40) of the Bankruptcy Code provides that "[t]he term 'municipality' means political subdivision or public agency or instrumentality of a state." 11 U.S.C. § 101(40).

proceeding under current State law that the Municipality may pursue if such requested specific authority is not granted by the State Legislature.

COVID-19 Pandemic

Investment in the Bonds involves certain risks, among them, the economic effect of measures taken to limit the spread of COVID-19. The spread of COVID-19 has led to quarantine and other "social distancing" measures in affected areas, including the State and the City, undertaken by governmental agencies, businesses, schools and other entities. These measures have included actions taken by the Governor of the State to limit non-essential travel, promote telecommuting, limit public gatherings, close non-essential businesses, and issue stay-at-home orders. Although the Governor has completed a phased re-opening of the State, future State legislation may be enacted and/or Executive Orders issued as the situation continues to evolve.

Financial markets have reacted with significant volatility as a result of the outbreak of COVID-19. The spread of the virus has adversely impacted local, state and national economies, which impact, while currently unknown, could adversely affect the City. Due to the unprecedented nature of the COVID-19 Pandemic and the subsequent measures taken to contain its spread, and the uncertainty as to the duration of those measures, there is no way to predict with any degree of certainty the extent COVID-19 will impact the federal or State economy, or revenues from the System received by the City.

In summary, the City is unable to predict (i) the extent or duration of the COVID-19 Pandemic, (ii) the extent or duration of existing and future quarantines, travel restrictions, business closures and other measures related to the COVID-19 Pandemic, and (iii) whether and to what extent the COVID-19 Pandemic may disrupt the local and global economy, or whether any such disruption may materially adversely affect the amount of revenue received or the operations of the System. Given the evolving nature of the spread of the disease and the response of governments, business and individuals to COVID-19, the City is unable to accurately predict the magnitude of the impact COVID-19 on the City, the System and the financial condition of the City.

Miscellaneous

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the Registered Owners thereof.

The information contained in this Official Statement has been taken from sources considered reliable but is not guaranteed. To the best of our knowledge, information in this Official Statement does not include any untrue statement of material fact; nor does the information omit the statement of any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

CITY OF LAUREL, MISSISSIPPI

BY: _____
MAYOR

CITY CLERK

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APPENDIX A
INFORMATION ON THE CITY

APPENDIX A - ECONOMIC AND DEMOGRAPHIC INFORMATION

CITY OF LAUREL, MISSISSIPPI

General Description

The City of Laurel (the “City”), is the county seat of the second judicial district of Jones County, Mississippi (the “County”), and it is located roughly 84 miles southeast of Jackson, the state capitol of Mississippi (the “State”), 112 miles northwest of Mobile, Alabama, and 146 miles northeast of New Orleans, Louisiana.

It began as a small logging town among the dense pine forests of South Mississippi. Members of prominent timber families from the East and Midwest settled in the area during the early 1800’s and brought with them a great deal of culture, education and sophistication. The Lauren Rogers Museum of Art, the first art gallery in the State, was built in 1923 by two timber families. The Central Historic District of the City, which is on the national register of Historic Places, has the State’s largest and most intact ensemble of early 20th century architectural styles – classical and colonial revivals, Queen Anne, bungalow and craftsman. Surrounding them is landscaping that was part of America’s master architect Frederick Law Olmstead’s 1909 city plan. The timber industry also brought inventive intelligence to the City. The Lindsay Log Wagon, which revolutionized early 20th century logging and played a major role in the Allies’ execution of World War I, was invented and manufactured in Laurel. Masonite, the first hard fiberboard, was also invented in the City and gave birth to the Masonite Corporation, now an international conglomerate.

Today, the City is also the home of Howard Industries, where a revolutionary innovation for electrical distribution transformers was developed by native son Billy Howard and made the company the largest supplier of transformers in the world.

Population

The population of the City has been recorded or estimated as follows:

1990	2000	2010	2019 Estimate
19,601	18,393	18,540	18,338

SOURCE: Census Data at website: www.census.gov; June 2020.

Government

The City is governed by a Mayor (the “Mayor”) and a City Council (the “City Council”). The Mayor is elected for a term of four years. The City Council consists of seven members, each of whom is elected for a four year term by ward or precinct. The current Mayor and members of the City Council are:

Name	Occupation	Position Held Since:
Jason Capers	Councilman	07/01/17
Tony Wheat	Councilman	07/04/05
Tony Thaxton	Councilman	06/13/07
George Carmichael	Councilman	07/04/05
Stacy Comegys	Councilman	07/01/17
Grace Amos	Councilwoman	03/05/20
Anthony Page	Councilman	07/01/17

Transportation

Highway, rail and air access are available to the City. Major highway access is from Interstate 59 and U.S. Highway 84. Other highway corridors serving the City include U.S. Highway 11 and State Highway 15. State highways serving the immediate area include 28, 29 and 537. City streets and county roads serving the City are numerous.

Sixteen motor freight carriers, five of which have terminals within the City, serve the area. Intercity and interstate bus service is also available.

Air access is provided by two airports, one of which is located within the municipal limits. The Laurel Airport (Hesler-Noble Field), with a 5,512 foot lighted runway and complete instrumentation, provides daytime service to non-commercial flights. The Hattiesburg-Laurel Regional Airport, 16 miles south of the City, is the area's commercial service airport, with a runway length of 6,500 feet and full instrumentation. Six flights per day depart and arrive at the Hattiesburg-Laurel Regional Airport, served by Northwest Airlink directly to Memphis International Airport.

Rail access is provided by the main-line Norfolk-Southern Railroad which has complete freight service within the City and the County, and by the Kansas City Southern Railroad.

County Employment Statistics

	2015	2016	2017	2018	2019
RESIDENCE BASED EMPLOYMENT					
I. Civilian Labor Force	26,580	25,840	25,450	25,570	26,260
II. Unemployed	1,590	1,580	1,320	1,260	1,420
Rate	6.0	6.1	5.2	4.9	5.4
III. Employed	24,990	24,260	24,130	24,310	24,840
ESTABLISHMENT BASED EMPLOYMENT					
I. Manufacturing	6,970	6,480	6,320	6,610	7,230
II. Non-manufacturing	22,250	21,510	21,110	21,130	21,310
A. Agriculture, Forestry, Fishing & Hunting	210	210	30	30	30
B. Mining	1,480	1,000	1,080	1,080	1,090
C. Utilities	300	310	270	270	260
D. Construction	1,400	1,290	1,160	1,240	1,270
E. Wholesale Trade	960	920	1,000	1,000	1,010
F. Retail Trade	2,830	2,870	2,950	2,890	2,970
G. Transportation & Warehousing	770	720	700	690	680
H. Information	260	260	240	220	210
I. Finance & Insurance	580	630	650	650	630
J. Real Estate, Rental & Leasing	340	260	270	280	280
K. Prof., Scientific & Technical Service	550	520	540	530	560
L. Management of Companies & Entertainment	440	440	470	490	450
M. Administrative Support & Waste Management	800	710	530	520	490
N. Educational Services	90	90	90	80	70
O. Health Care & Social Assistance	1,410	1,430	1,430	1,450	1,660
P. Arts, Entertainment & Recreation	140	130	140	150	170
Q. Accommodation & Food Service	1,980	1,960	1,920	1,930	1,910
R. Other Services (except Public Administration)	480	460	380	370	370
S. Government	7,230	7,300	7,260	7,260	7,200
Education	2,320	2,350	2,390	2,360	2,370
TOTAL EMPLOYMENT	29,220	27,990	27,430	27,740	28,540

SOURCE: Mississippi Department of Employment Security: Annual Averages: Labor Force and Establishment Based Employment 2011 Forward, Labor Market Information Department at website: www.mdes.ms.gov; statistics revised by MDES as of May 11, 2020; information available as of June 2020.

County Unemployment Statistics

Year	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Annual Average
2015	6.1	5.7	5.6	5.4	6.3	6.7	6.2	5.7	5.8	5.9	5.9	6.3	6.0
2016	6.2	5.8	5.7	5.4	6.1	7.4	6.9	6.2	6.1	5.9	5.5	5.8	6.1
2017	5.9	5.3	5.2	4.9	5.5	6.2	5.7	5.1	4.8	4.5	4.5	4.5	5.2
2018	5.0	5.0	4.8	4.6	5.1	6.0	5.3	4.7	4.5	4.5	4.5	4.8	4.9
2019	5.5	5.1	5.0	4.8	5.4	6.4	6.1	5.6	5.4	5.1	5.2	5.1	5.4
2020	5.4	5.3	4.8	10.3	7.2								

SOURCE: Mississippi Department of Employment Security: Labor Market Data at website: www.mdes.ms.gov; June 2020.

Retail Sales for the City

State Fiscal Year Ended June 30	Amount
2019	\$810,115,574
2018	795,670,882
2017	743,165,791
2016	740,572,103
2015	804,068,109

SOURCE: Annual Reports for each year shown, Mississippi Department of Revenue's website: www.dor.ms.gov; June 2020.

Per Capita Income

Year	County	Mississippi	United States	County as % of U.S.
2018	38,122	37,834	54,446	70%
2017	36,933	36,375	51,885	71
2016	35,687	35,613	49,870	72
2015	36,468	35,022	48,978	74
2014	37,554	34,545	47,058	80

SOURCE: Bureau of Economic Analysis: Regional Economic Accounts at website: www.bea.gov, (BEA data last updated November 14, 2019). Information available as of June 2020.

Major Employers

The following is a listing of major employers in the City, their products or services and their approximate number of employees:

EMPLOYER	EMPLOYEES	PRODUCT/SERVICE
Howard Industries (all divisions)	4,000	Manufacturing
South Central Regional Medical Center	2,019	Healthcare
Jones County Schools	1,293	Education
Wayne Farms	950	Poultry Processing
Masonite International	890	Manufacturing
Sanderson Farms, Inc.	817	Poultry Processing
Wal-Mart	585	Retail
Laurel School District	560	Education
Sawmill Square	450	Retail
Jones County	384	Government
City of Laurel	309	Government
Laurel Public School District	247	Education
Tanner Construction	200	Construction
Laurel Machine & Foundry	166	Manufacturing
Care Center of Laurel	159	Healthcare

SOURCE: Office of the City Clerk; June 2020.

Banking Institutions

Institutions	Total Assets as of March 31, 2020:
Regions Bank ⁶	\$132,707,000,000
BancorpSouth Bank ⁷	21,045,439,000
Trustmark National Bank ⁸	14,017,762,000
Community Bank of Mississippi ⁹	3,371,491,000
The First, A National Banking Association ¹⁰	4,053,820,000
The Citizens National Bank of Meridian ¹¹	1,437,919,000
First State Bank ¹²	822,135,000
Magnolia State Bank ¹³	348,032,000

SOURCE: www.fdic.com, June 2020.

⁶ Headquarters located in Birmingham, Alabama.

⁷ Headquarters located in Tupelo, Mississippi.

⁸ Headquarters located in Jackson, Mississippi.

⁹ Headquarters located in Forrest, Mississippi.

¹⁰ Headquarters located in Hattiesburg, Mississippi.

¹¹ Headquarters located in Meridian, Mississippi.

¹² Headquarters located in Waynesboro, Mississippi.

¹³ Headquarters located Bay Springs, Mississippi.

Sales Tax Rebates from the State

The State rebates monthly 18.5% of the total State sales tax of 7% for all sales originating within the City; this rebate may be used for any lawful purpose. Sales tax rebates from the State to the City are as follows:

State Fiscal Year Ending June 30	Amount
2019	\$9,113,369.00
2018	8,772,235.00
2017	8,257,347.00
2016	8,757,906.00
2015	9,779,442.00
2014	9,679,508.00

SOURCE: Annual Reports for each year shown, Mississippi Department of Revenue’s website: www.dor.ms.gov; June 2020.

Educational Facilities

The Laurel Public School District (the “District”) serves the entire City. The District currently operates five schools and employs approximately 247 people.

Total enrollment for the District for the current scholastic year and the preceding years is as follows:

Scholastic Year	Enrollment
2019-2020	3,091
2018-2019	3,171
2017-2018	3,181
2016-2017	3,177
2015-2016	3,280

SOURCE: Laurel Public School District and Mississippi Assessment and Accountability Reporting System, Office of Research and Statistics, Mississippi, Department of Education; June 2020.

TAX INFORMATION

Assessed Valuation of the City¹⁴

FY ENDING SEPT. 30	REAL PROPERTY	PERSONAL ¹⁵ PROPERTY	PUBLIC UTILITIES	TOTAL
2019	\$106,986,582	\$73,152,078	\$11,452,435	\$191,591,095
2018	105,709,174	59,121,900	10,744,475	175,575,549
2017	105,068,457	54,789,630	10,643,843	170,501,938
2016	100,203,919	\$57,943,353	10,658,181	168,805,453
2015	99,766,065	57,494,391	10,794,344	168,054,800

SOURCE: Office of the City Clerk; June 2020.

Procedure for Property Assessments

The Tax Assessor of the County assesses all real and personal property subject to taxation in the County, including property in the City, except motor vehicles and property owned by public service corporations, both of which are required by law to be assessed by the Mississippi Department of Revenue.

Section 21-33-9, Mississippi Code of 1972, as amended, provides that the governing authorities of a municipality which is located within a county having completed a countywide reappraisal approved by the Mississippi Department of Revenue (the "Department of Revenue") and which has been furnished a true copy of that part of the County assessment roll containing the property located within a municipality as provided in Section 27-35-167, Mississippi Code of 1972, as amended, shall adopt such assessment rolls for its assessment purposes. The City is utilizing the assessment rolls of the County.

The City may not correct or revise such assessment rolls except for the purpose of conforming the municipal assessment roll to corrections or revisions made to the County assessment roll. All objections to the municipal assessment roll may be heard by the Board of Supervisors of the County at the time and in the manner that objections to the County assessment roll are heard. The Board of Supervisors shall notify, in writing, the Governing Body and the Tax Assessor of the City of any corrections or revisions made by it to the part of the County assessment roll adopted as the municipal assessment roll.

Procedure for Tax Collections

Ad valorem taxes on real, personal and utility property are due on February 1 of each year. A penalty in the amount of one percent (1%) per month is levied against all delinquent ad valorem taxes. In the event the taxes are not paid by August 5, the property is sold for taxes on the last Monday in August and upon the sale of

¹⁴ The total assessed valuation is approved in September preceding the fiscal year of the City and represents the value of real property, personal property, and public utility property for the year indicated on which taxes are assessed for the following year's budget. For example, the taxes for the assessed valuation figures for the City's fiscal year 2019 ending September 30, 2019, are collected starting in January 2020.

¹⁵ Personal Property totals includes Motor Vehicles and Mobile Homes.

any property for failure to pay ad valorem taxes, the owner has two years from the date of sale in which to redeem the property. Ad valorem taxes for motor vehicles (license plates) are due one year from the first day of the month in which the tag is acquired. A one-time late penalty in the amount of 25% of the amount of the taxes due is levied in the event the license plate is not acquired in the month in which it expires. Ad valorem receipts for motor vehicles are collected on a monthly basis.

The Governing Body, acting for and on behalf of the City, is required under the Act and the Bond Resolution to annually levy a special tax upon all taxable property within the City sufficient to provide for the payment of the principal of and the interest on the Bonds. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes will bear interest at the rate of 1% per month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real property and personal property are subject to public tax sale.

Section 27-41-55, Mississippi Code of 1972, as amended, and related statutes provide that after the February 15 or August 5 in each year, the tax collector for each County shall advertise all lands in a City on which all taxes due and in arrears have not been paid, as well as all land liable for other matured taxes, for sales on the first Monday in April or the last Monday of August following, as the case may be. The County conducts its tax sales during the month of August.

History of Assessed Valuation

The State has undertaken substantial revision of its property taxation since 1980. In that year the Mississippi Supreme Court rendered its decision in *Department of Revenue v. Fondren*, 387 So. 2d 712, in which the Department of Revenue was enjoined from approving assessment rolls from any county in the state for the tax year 1983 unless the Department of Revenue equalized the assessment rolls of all counties. While the appeal of that case was pending in the Mississippi Supreme Court, the Legislature passed Senate Bill No. 2672, Regular Session 1980, which is codified in part as Sections 27-35-49 and 27-35-50, Mississippi Code of 1972, as amended, which ordered a state-wide reappraisal of property and required appraisal at true value and assessment in proportion to true value.

On June 3, 1986, the voters of the State approved an amendment to Section 112 of the Mississippi Constitution which established certain classes of property and related assessment ratios for property taxation purposes. Formerly there were four classes of property and no assessment ratio of one class could be more than double the assessment ratio of each of the other classes of property. The amendment sets forth five classes of property and provides that the assessment ratio of one class of property must not be more than three times the assessment ratio of each of the other classes of property.

1. Single-family, owner-occupied, residential real property – ten percent (10%) of true value;
2. All real property except that of public utilities and single-family, owner-occupied property - fifteen percent (15%) of true value;
3. All personal property except motor vehicles and personal property of public utilities - fifteen percent (15%) of true value;
4. All public utility property - thirty percent (30%) of true value; and
5. Motor vehicles - thirty percent (30%) of true value.

The entire State has completed its reappraisal, and all property in the County is now appraised at true value. Assessments for the years 1986 and thereafter, for taxes payable in the years 1987 and thereafter, have been and will continue to be based on the assessment ratios set forth in the constitutional amendment and legislation related thereto.

Sections 27-35-15 *et seq.*, Mississippi Code of 1972, as amended, require county tax assessors to annually appraise all personal property subject to taxation and describe how the assessors are to obtain and maintain property lists and how to value the property. Section 27-3550 of the Mississippi Code also requires determination of true value of all real property annually, and the Department of Revenue is given power to establish rules to facilitate implementation of appraisal and assessment.

Rule 6 of the Department of Revenue's Property Tax Bureau set the tax roll year 1997 as a year of developing and adopting standards and minimum requirements for maintenance of property appraisal. Each county was to prepare a base property sales file and establish an update cycle of no more than four years, during which 100% of the tax parcels would be physically observed and notated on the county's property records. The Department of Revenue has statutory authority to monitor each county's progress and to assure that each county's assessment records comply with acceptable standards.

Homestead Exemption

The Homestead Exemption Law of 1946, as amended, reduces the local tax burden on certain homes and provides partial replacement of the tax loss by revenues from other sources of taxation on the state level. Provisions of the homestead exemption law determine qualification, define ownership and limit the amount of property that may come within the exemption. The exemption is not applicable to taxes levied to pay the Bonds, except as hereinafter noted.

Those homeowners who qualify for the homestead exemption and who have reached the age of sixty-five (65) years on or before January 1 of the year for which the exemption is claimed, service-connected, totally disabled American veterans who were honorably discharged from military services and those classified as disabled under the federal Social Security Act are exempt from any and all ad valorem taxes on qualifying homesteads not in excess of \$6,000 of assessed value thereof.

The tax loss resulting to the City from homestead exemptions is reimbursed by the Department of Revenue. However, in any year the City will not be reimbursed an amount in excess of one hundred six percent (106%) of the total net reimbursement made to the City in the previous year nor may any exemption exceed \$200.00 per qualified applicant.

Tax Levy per \$1000 Valuation¹⁶

FISCAL YEAR IN WHICH TAXES LEVIED					
	2019-20	2018-19	2017-18	2016-17	2015-16
<i>Municipal Purposes:</i>					
General Fund	17.04	17.04	17.04	17.04	17.04
Recreation Fund	4.82	4.82	4.82	4.82	4.82
Bond & Interest Fund	13.03	13.03	13.03	12.03	12.03
Trust & Agency	4.46	4.46	4.46	4.46	4.46
Library Fund	0.00	0.00	0.00	0.00	0.00
Street Improvement Fund	4.00	4.00	0.00	0.00	0.00
SUB-TOTAL MUNICIPAL PURPOSES:	43.35	43.35	39.35	38.35	38.35
<i>School District Purposes</i>					
District Maintenance	54.50	54.50	54.50	53.12	52.73
Bond & Interest Fund	14.61	14.61	14.61	13.35	13.74
SUB-TOTAL SCHOOL DISTRICT PURPOSES:	69.11	69.11	69.11	66.47	66.47
GRAND TOTAL FOR MUNICIPAL AND SCHOOL DISTRICT PURPOSES	112.46	112.46	108.46	104.82	104.82

SOURCE: Office of the City Clerk; June 2020.

Ad Valorem Tax Collections of the City

YEAR ENDING SEPT. 30	AMOUNT BUDGETED	AMOUNT COLLECTED	DIFFERENCE OVER/(UNDER)
2019	\$7,596,135	\$8,035,066	\$438,931
2018	6,647,874	6,788,045	140,171
2017	6,189,495	6,416,283	226,788
2016	6,436,000	6,467,140	31,140
2015	6,061,900	6,165,918	104,028

SOURCE: Office of the City Clerk; June 2020.

¹⁶ Tax Levy figures are given in mills.

Ten Largest Taxpayers

The ten (10) largest taxpayers in the City for assessment year 2019 are as follows:

NAME	ASSESSED VALUATION	TAXES COLLECTED
Howard Industries Inc	\$16,993,529	\$805,774.88
Masonite Corporation	\$11,500,610	\$516,259.48
Mississippi Power	\$10,629,960	\$389,179.83
Sanderson Farms Inc	\$5,239,837	\$257,158.47
Wal-Mart	\$2,813,145	\$120,372.77
Wayne Farms & Poultry	\$2,150,553	\$79,777.98
Lowe's	\$1,667,043	\$68,784.82
Mid-South Industries	\$1,471,778	\$54,632.15
Laurel Machine & Foundry	\$865,398	\$44,707.50
City Properties LLC	\$825,714	\$37,406.79
Totals:	\$54,157,567	\$2,434,430.54

SOURCE: Office of the City Clerk; June 2020.

DEBT INFORMATION

Legal Debt Limit Statement

(As of July 1, 2020)

	15% Limit ¹⁷	20% Limit
Authorized Debt Limit (Last Completed Assessment for Taxation – \$191,591,095)	\$28,738,664	\$38,318,219
Present Debt Subject to Debt Limits	15,145,000	19,025,000
Margin for Further Debt Under Debt Limits	13,593,664	19,293,219

SOURCE: Office of the City Clerk: March 2020.

General Statutory Debt Limits Provisions

The City is subject to a general statutory debt limitation under which no municipality in the State may incur general obligation bonded indebtedness in an amount which will 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 for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water and sewerage systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefitted, or for the purpose of paying a municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefitted.

However, in no case may a municipality contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such municipality.

In computing the limitations set forth above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under the provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, as amended, and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, as amended, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

¹⁷ The City's Series 2012, 2012A and 2013 Bonds are not included in the 15% Debt Limits. The Series 2016, Series 2020A and Series 2020B Bonds are exempt from the 15% and the 20% Debt Limits unless a tax is levied for their debt service payment; and currently, no taxes are levied for their payment.

Outstanding General Obligation Bonded Debt Payable by Ad Valorem Taxes

(As of July 1, 2020)

Issue	Date of Issue	Outstanding Principal
General Obligation Water and Sewer Refunding Bonds, Series 2012 ¹⁸	4/5/12	\$1,125,000
General Obligation Refunding Bonds, Series 2012A ¹⁷	4/5/12	610,000
General Obligation Bonds, Series 2013 ¹⁹	2/1/13	2,145,000
Taxable Short-Term Note, Series 2015	12/10/15	105,000
General Obligation Bonds, Series 2015	12/10/15	8,900,000
General Obligation Bonds Series 2016 ²⁰	4/15/16	3,900,000
Negotiable Note, Series 2017	10/13/17	450,000
General Obligation Bonds, Series 2019	8/20/19	3,000,000
General Obligation Refunding Bonds, Series 2019	10/24/19	2,690,000
General Obligation Bonds, Series 2020A ²¹	6/11/20	3,000,000
General Obligation Bonds, Series 2020B ²²	6/11/20	1,500,000
TOTAL		\$27,425,000

¹⁸ The Series 2012 Bonds were issued for the purpose of advance refunding certain outstanding maturities of the City's \$4,500,000 Combined Water and Sewer System Revenue Bonds, Series 2003, dated December 1, 2003 (the "2003 Water and Sewer Bonds"). The Series 2012A Bonds together with the Series 2012 Bonds were issued for the purpose of advance refunding certain outstanding maturities of the City's (a) \$2,900,000 General Obligation Bonds, Series 2003, dated January 1, 2003 (the "2003 Bonds"); and (b) \$1,000,000 General Obligation Bonds, Series 2004, dated April 1, 2004 (the "2004 Bonds"). The Series 2012 Bonds and the Series 2012A Bonds were issued pursuant to Sections 31-27-1, *et seq.*, Mississippi Code of 1972, as amended. These bonds are not subject to the 15% statutory debt limits.

¹⁹ The Series 2013 Bonds were issued for the purpose of providing funds to pay the costs of (i) establishing sanitary, storm, drainage or sewerage systems, and repairing, improving and extending the same; (ii) constructing, improving or paving streets, sidewalks, driveways, parkways, walkways or public parking facilities, and purchasing land therefor; (iii) paying for the costs of issuance of the Bonds and (iv) other related improvements within the City. The Series 2013 Bonds were issued pursuant to Sections 21-33-301 *et seq.*, Mississippi Code of 1972, as amended. The Bonds constitute a general obligation of the City and it has pledged the full faith and credit of the City for the payment of principle and interest on the Series 2013 Bonds. These bonds are not subject to the 15% statutory debt limits.

²⁰ The 2016 Bonds were issued pursuant to Sections 21-33-301 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, and by House Bill 1868, 1998 Regular Session of the Mississippi Legislature for the purpose of providing funds to pay for the establishment, development, construction, furnishing, equipping, and erection of recreation facilities on land located within or in close proximity to the corporate limits of the City, including the acquisition of land if necessary; the costs of issuance of the 2016 Bonds; and for other related purposes authorized by the authorizing acts. The 2016 Bonds are payable from legally available to the City, including the special one percent (1%) tax levied by the City pursuant to Section (4)(1) of House Bill 1868, and they exempt from the 15% and 20% debt limits unless a tax is levied for their debt service payment. Currently, there are no taxes levied for the payment of the 2016 Bonds.

²¹ The 2020A Bonds were issued pursuant to Sections 21-33-301 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, and by House Bill 1868, 1998 Regular Session of the Mississippi Legislature for the purpose of providing funds to pay for the establishment, development, construction, furnishing, equipping, and erection of recreation facilities on land located within or in close proximity to the corporate limits of the City, including the acquisition of land if necessary; the costs of issuance of the 2020A Bonds; and for other related purposes authorized by the authorizing acts. The 2020A Bonds are payable from legally available to the City, including the special one percent (1%) tax levied by the City pursuant to Section (4)(1) of House Bill 1868, and they exempt from the 15% and 20% debt limits unless a tax is levied for their debt service payment. Currently, there are no taxes levied for the payment of the 2020A Bonds.

²² The 2020B Bonds were issued pursuant to Sections 21-33-301 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, and by House Bill 1868, 1998 Regular Session of the Mississippi Legislature for the purpose of providing funds to pay for the establishment, development, construction, furnishing, equipping, and erection of recreation facilities on land located within or in close proximity to the corporate limits of the City, including the acquisition of land if necessary; the establishment, development, construction, furnishing, equipping, and erection of improvements at the South Mississippi Fairground; the costs of issuance of the 2020B Bonds; and for other related purposes authorized by the acts. The 2020B Bonds are payable from legally available to the City, including the special one percent (1%) tax levied by the City pursuant to Section (4)(2) of House Bill 1868, and they exempt from the 15% and 20% debt limits unless a tax is levied for payment of debt service. Currently, there are no taxes levied for the payment of the 2020B Bonds.

Outstanding Bonded Debt Paid by Revenues from Operations

(As of July 1, 2020)

Issue	Date of Issue	Outstanding Principal
Combined Water and Sewer System Revenue Bonds, Series 2012	9/1/12	\$2,500,000
Combined Water and Sewer System Revenue Bonds, Series 2017	7/6/17	3,595,000
TOTAL		\$6,095,000

SOURCE: Office of the City Clerk: March 2020.

Other Long-Term Debt

(Please update Balances as of July 1, 2020)

Issue	Date of Issue	Outstanding Principal
SRF Loans	Various	\$12,058,694.00
CAP Loan (water & sewer), State of Mississippi	2002	70,923.12
CAP Loan (fire truck), State of Mississippi	2010	16,738.91
CAP Loan (fire station), State of Mississippi	12/01/12	643,453.28
Promissory Note (Highway Refunding Project), Series 2013B	5/08/13	17,760,000.00
CAP Loan (fire truck), State of Mississippi	8/01/13	88,039.75
CAP Loan (fire truck), State of Mississippi	11/2013	91,278.12
SMPD Loan	3/01/16	140,000.00
CAP Loan (Ball Field Lighting)	8/01/17	112,644.28
SMPD Loan (Traffic Signal)	1/01/17	159,772.39
Lease Purchase	8/22/18	685,704.00
Lease Purchase	9/26/18	343,114.00
Lease Purchase	12/30/18	258,686.81
Lease Purchase	6/05/19	213,000.00
Lease Purchase	12/19	336,029.00
TOTAL		\$32,978,077.66

SOURCE: Office of the City Clerk: June 2020.

Debt Ratios

FY Ended September 30²³	General Obligation Debt	General Obligation Debt to Assessed Value
2019	\$22,000,000	11.48%
2018	21,050,000	11.99
2017	22,055,000	12.93
2016	23,835,000	14.12
2015	10,855,000	6.46

²³ Based on the 2019 Assessed Valuation. The 2020 Assessed Valuation is not yet available.

General Obligation Bonded Debt

Issue	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
General Obligation Refunding Bonds, Series 2010	-0-	370,000	1,125,000	1,855,000	2,555,000
General Obligation Water and Sewer Refunding Bonds, Series 2012	1,125,000	1,385,000	1,635,000	1,880,000	2,120,000
General Obligation Refunding Bonds, Series 2012A	610,000	800,000	1,075,000	1,345,000	1,605,000
General Obligation Bonds, Series 2013	2,145,000	2,280,000	2,410,000	2,535,000	2,655,000
Taxable Short-Term Note, Series 2015 (12/10/2015)	105,000	210,000	310,000	405,000	500,000
General Obligation Bonds Series 2015 (12/10/2015)	8,900,000	9,300,000	9,600,000	9,800,000	10,000,000
General Obligation Bonds, Series 2016 ²⁴	3,900,000	4,055,000	4,145,000	4,235,000	4,400,000
General Obligation Negotiable Note (10/13/2017)	450,000	600,000	750,000	-0-	-0-
General Obligation Bonds, Series 2019 (8/20/2019)	2,850,000	3,000,000	-0-	-0-	-0-
General Obligation Refunding Bonds, Series 2019 (10/24/19)	2,600,000	-0-	-0-	-0-	-0-
General Obligation Bonds, Series 2020A (6/11/20) ²⁵	3,000,000	-0-	-0-	-0-	-0-
General Obligation Bonds, Series 2020B (6/11/20) ²⁶	1,500,000	-0-	-0-	-0-	-0-
TOTALS	\$27,185,000	\$22,000,000	\$21,050,000	\$22,055,000	\$23,835,000

²⁴Payable from special tourism tax.

²⁵Payable from special tourism tax.

²⁶Payable from special tourism tax.

Annual General Obligation Debt Service Requirements²⁷

FY Ending September 30			
	Principal	Interest	Total
2021	1,934,000.00	659,876.69	2,593,876.69
2022	2,205,000.00	606,979.39	2,811,979.39
2023	2,283,000.00	555,500.01	2,838,500.01
2024	2,049,000.00	505,387.51	2,554,387.51
2025	1,771,000.00	461,221.26	2,232,221.26
2026	1,807,000.00	419,411.26	2,226,411.26
2027	1,989,000.00	375,451.26	2,364,451.26
2028	2,025,000.00	325,628.76	2,350,628.76
2029	2,052,000.00	273,559.38	2,325,559.38
2030	1,984,000.00	221,200.00	2,205,200.00
2031	1,655,000.00	174,261.25	1,829,261.25
2032	742,000.00	135,692.50	877,692.50
2033	759,000.00	116,685.00	875,685.00
2034	581,000.00	99,517.50	680,517.50
2035	592,000.00	84,195.00	676,195.00
2036	604,000.00	68,550.00	672,550.00
2037	621,000.00	52,560.00	673,560.00
2038	488,000.00	36,075.00	524,075.00
2039	490,000.00	24,095.00	514,095.00
2040	492,000.00	12,070.00	504,070.00
Totals:	\$27,185,000.00	\$5,207,916.77	\$32,392,916.77

²⁷ As of July 1, 2020.

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APPENDIX B
INFORMATION ON THE SYSTEM

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THE COMBINED WATER AND SEWER SYSTEM

Establishment of Rates

Rates for water and sewer services are established by the Mayor and City Council which, if indebtedness is outstanding payable from revenues of the System, must consider, among other things, the rate covenant contained in the governing resolutions or documents for such indebtedness. Newly adopted rates become effective as to each user one month after they have been adopted by the Mayor and City Council, provided however, that such newly adopted rates may become effective immediately upon the unanimous approval of the Mayor and City Council based on a finding of good cause and a statement in the adopting ordinance of the reason why it is necessary that the new rates become effective immediately.

Rate Structure

Billings for water and sewer charges are prepared by the Water Department from data entry performed by Water Department personnel. All customers are billed monthly.

Approximately ninety-eight percent (98%) of the total revenue earned by the Public Works Department comes from monthly charges collected directly from the customers who receive water and sewer service.

There is a minimum monthly service charge of \$12.83 for residential inside the City water customers per 0 – 3,000 gallons with \$3.22 per each additional 1,000 gallons of usage. There is a minimum monthly service charge of \$19.10 for residential outside the City water customers per 0 – 3,000 gallons with \$5.14 per each additional 1,000 gallons of usage.

There is a minimum monthly service charge of \$19.29 for residential outside the City sewer customers per 0 – 3,000 gallons with \$4.81 per each additional 1,000 gallons of usage. There is a minimum monthly service charge of \$29.33 for residential outside the City sewer customers per 0 – 3,000 gallons with \$7.70 per each additional 1,000 gallons of usage.

There is a minimum monthly service charge of \$19.29 for commercial inside the City water customers per 0 – 3,000 gallons with \$3.22 per each additional 1,000 gallons of usage. There is a minimum monthly service charge of \$21.84 for commercial outside the City water customers per 0 – 3,000 gallons with \$5.14 per each additional 1,000 gallons of usage.

There is a minimum monthly service charge of \$28.92 for commercial outside the City sewer customers per 0 – 3,000 gallons with \$4.81 per each additional 1,000 gallons of usage. There is a minimum monthly service charge of \$32.75 for commercial outside the City sewer customers per 0 – 3,000 gallons with \$7.70 per each additional 1,000 gallons of usage.

The following is an estimated breakdown of water and sewer charges for residential, commercial and industrial customers of the water and sewer system as of September 30, 2019:

	Residential Customers	Commercial and Industrial Customers	TOTALS
Water charges:	\$1,993,091	\$2,809,792	\$4,802,883
Sewer charges:	\$2,221,386	\$3,796,122	\$6,017,508
TOTALS	\$4,214,477	\$6,605,914	\$10,820,391

Customers living outside the City limits shall pay double the monthly charges for water and sewer, and all connection and other service fees.

The total number of current water customers within the System is approximately 8,125. The total number of gallons of water used annually is approximately 1.63 billion gallons.

The ten largest users of water per gallon/per month for fiscal year 2019 are listed below:

	USAGE (gallons per month)
TEN LARGEST WATER CUSTOMERS:	
Sanderson Farms Inc. 90-06161-00	24,675,640
Wayne Farms Poultry Company 90-02561-00	21,657,700
Howard Industries 90-05521-00	10,347,190
South Central Medical 90-08400-00	4,635,210
South Central Medical 90-07841-00	3,821,100
Sanderson Farms Inc. 90-06200-00	2,724,400
Masonite Corp. 90-03921-00	1,816,590
Masonite Corp. 90-03961-00	1,512,690
Howard Industries 90-05845-01	1,332,500
Howard Ballast 90-01700-00	1,233,100
TOTAL	73,756,120

* Not billed by the City for usage, however consumption is captured.

The current capacity of the Water System is as follows:

Current Water System	Number of Gallons per day
Capacity	14,322,240
Peak daily load	5,682,200
Average daily usage	5,451,905

* Based on 24 hour capacity

The ten largest users of sewer per gallon/per month for fiscal year 2019 are listed below:

TEN LARGEST SEWER CUSTOMERS:	USAGE (gallons per month)
Sanderson Farms Inc. 90-06161-00	24,657,640
Wayne Farms Poultry Company 90-02561-00	21,657,700
Howard Industries 90-25521-00	10,347,190
South Central Medical 90-08400-00	4,635,210
South Central Medical 90-07841-00	3,821,100
Sanderson Farms Inc. 90-06200-00	2,724,400
Masonite Corp. 90-03921-00	1,816,590
Masonite Corp. 90-03961-00	1,512,690
Howard Ballast 90-05845-01	1,332,500
Howard Ballast 90-01700-00	1,233,100
TOTAL	73,738,120

The current capacity of the sewer system is as follows:

Current Sewer System	Number of Gallons per day
Peak daily load	8.914 MGD – MASSEY 8.867 MGD - SMYLY

Average daily usage	4.265 MGD AVG – MASSEY 3.615MGD AVG - SMYLY
---------------------	---

The current outstanding debt of the System is listed below:

Bonds & Loans Outstanding ²⁸	Outstanding Principal
Revenue Bonds	
Combined Water and Sewer System Revenue Bonds, Series 2012	\$2,500,000
Combined Water and Sewer System Revenue Bonds, Series 2017	3,595,000
Total Bonds Currently Outstanding	\$6,095,000
SRF Loans	
Loan# C280730-03-2	\$ 533,304
Loan# C280730-04-2	1,318,540
DWI-H280093-01-2 & DWI-L340021-01-2	521,819
Loan# C280730-05-1	2,526,830
DWI-L340021-02-2	3,079,674
Loan# C280730-06-2	4,078,527
Total SRF Loans Currently Outstanding	\$12,058,694
TOTAL BOND & LOANS OUTSTANDING	\$18,153,694

²⁸ As of July 1, 2020

APPENDIX C

**FISCAL YEAR 2019 AUDITED FINANCIAL STATEMENTS AND ADOPTED
BUDGETS FOR FISCAL YEARS 2018-2019 AND 2019-2020**

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**AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR
ENDED SEPTEMBER 30, 2019**

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CITY OF LAUREL, MISSISSIPPI

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

CITY OF LAUREL, MISSISSIPPI

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

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CITY OF LAUREL, MISSISSIPPI

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

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HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Laurel, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of City Contributions, Schedule of Changes in Net Pension Liability, and the Schedule of Employer Contributions on pages 6-16 and 67-72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurel, Mississippi's basic financial statements. The schedule for surety bonds for municipal officers is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule for surety bonds for municipal officers is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2020 on our consideration of the City of Laurel, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Laurel, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laurel, Mississippi's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS
February 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LAUREL, MISSISSIPPI

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

The Discussion and Analysis of the City of Laurel, Mississippi's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 were as follows:

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

Using this Annual Financial Report:

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Laurel, Mississippi as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Laurel, Mississippi as a Whole:

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2019

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

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

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

Fund Financial Statements

The analysis of the City's major funds begins on page 19. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Laurel, Mississippi, the City's major funds are the General Fund, Recreation Fund, Bond and Interest Retirement Fund, Tourism Bond 1996 Fund, Tourism Bond 1998 Fund, Capital Improvements Fund, Street Improvement Fund, 2019 Drainage Bond Fund, Recreation Improvement Fund, Public Utility Bond Fund, Public Utility Fund, and Solid Waste Fund.

Governmental Funds

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

Fiduciary funds

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

CITY OF LAUREL, MISSISSIPPI

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

Proprietary Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27-29. Operating revenues of the water and sewer system are utilized to fund operations and maintenance expenses and debt service.

The City of Laurel, Mississippi as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018.

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

(See Next Pages for Table 1 and Table 2)

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2019

Table 1

Net Position

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

CITY OF LAUREL, MISSISSIPPI

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

Table 2

Change in Net Position

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

CITY OF LAUREL, MISSISSIPPI

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

The City's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. The net position of the City's governmental activities increased by \$6,527,087, including the effects of prior period adjustment of \$53,111 and the unrestricted net position of the City increased by \$653,559. By far the largest portion of the City's net position (94% for 2019 and 93% for 2018) reflects its investment in capital assets (e.g., land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that are still outstanding). The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Additional information on unrestricted net position:

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

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

Governmental Activities

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

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

Business-Type Activities

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

CITY OF LAUREL, MISSISSIPPI

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

The City's Funds

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

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

General Fund Budgeting Highlights

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

During the course of 2019, the City amended its General Fund budget. All recommendations for a budget change come from the City Finance Director to the City Council for review and ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without Council approval. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

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

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

Capital Assets and General Long-Term Obligations

Capital Assets

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

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

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

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

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

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

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

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

General Long-Term Obligations

At September 30, 2019, the City of Laurel, Mississippi had \$52,041,012 in outstanding general obligation bonds payable and notes payable. The City's long-term debt at September 30, 2018 was \$53,267,956. Table 4 indicates the total outstanding long-term obligations of the City.

(See next page for Table 4)

CITY OF LAUREL, MISSISSIPPI

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

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

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

Current Issues

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

Street Improvements

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

In December of 2015, the City of Laurel issued a GO bond in the amount of \$10 million for street repair and reconstruction. The citizens of Laurel recognized the need for good streets within our city and not a single objection was raised at the required public hearings. This bond was especially designated for commercial and residential streets within the city. All of the street overlay work has been completed, except for the paving along 5th Avenue and 13th Avenue (refer to next paragraph).

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

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

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

Public Utility (Water/Sewer) Projects

Our water and wastewater contractor is Suez Water Environmental Services, Inc. By agreement, Suez has 48 employees on staff. Their annual base contract is \$4,091,009. Mainly because of the high amount of water/sewer projects completed this past year within this fund, the water and sewer rates were increased by 3% beginning in March 2019.

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

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

Police Department

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

Fire Department

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

Recreation Department

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

In 1996 and 1998, the City of Laurel issued two General Obligation Bonds to build a sportsplex and a natatorium for our citizens to use and also to attract tourists to our city. These two bonds are repaid through a specially levied two-cent sales tax on restaurants and hotels within our city. Over the years both bonds have been refinanced and the first one was paid off in March 2016. The one cent sales tax was used to finance another \$4.4 million bond issue and engineering design plans are underway to build eight more softball fields to the complex. Permits from the Army Corps of Engineers have been obtained and the City is working with MDEQ on construction testing requirements.

Conclusion

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

Contacting the City's City Clerk:

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

CITY OF LAUREL, MISSISSIPPI

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

EXHIBIT A

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

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

CITY OF LAUREL, MISSISSIPPI

Statement of Activities
Year Ended September 30, 2019

EXHIBIT B

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL:							
General government	\$ 5,501,307	\$ -	\$ 222,154	\$ -	\$ (5,279,153)	\$ -	\$ (5,279,153)
Public safety	10,098,936	1,339,333	80,316	-	(8,679,287)	-	(8,679,287)
Public works	2,391,412	211,363	-	50,190	(2,129,859)	-	(2,129,859)
Health & welfare	447,580	-	-	-	(447,580)	-	(447,580)
Culture & recreation	2,435,207	798,274	51,440	-	(1,585,493)	-	(1,585,493)
Economic development	919,152	-	-	-	(919,152)	-	(919,152)
Interest	807,896	-	-	-	(807,896)	-	(807,896)
Total governmental activities	22,601,490	2,348,970	353,910	50,190	(19,848,420)	-	(19,848,420)
BUSINESS-TYPE:							
Water & sewer	13,080,107	12,729,686	-	-	-	(350,421)	(350,421)
Total business-type activities	13,080,107	12,729,686	-	-	-	(350,421)	(350,421)
Total primary government	\$ 35,681,597	\$ 15,078,656	\$ 353,910	\$ 50,190	(19,848,420)	(350,421)	(20,198,841)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					4,514,972	-	4,514,972
Property taxes, levied for debt service					2,409,778	-	2,409,778
Sales taxes					9,223,747	-	9,223,747
Franchise taxes					1,927,697	-	1,927,697
Homestead exemption					243,477	-	243,477
Gas and oil severance tax					13,340	-	13,340
Payments in lieu of taxes					53,632	-	53,632
Grants and contributions not restricted to specific programs					2,000,071	-	2,000,071
Unrestricted investment earnings					728,958	466,065	1,195,023
Unrealized gain (loss) on investments					(137,488)	(50,580)	(188,068)
Other local sources					970,217	175,392	1,145,609
Rents and royalties					142,818	-	142,818
Gain/loss on sale of assets					(88,045)	(14,956)	(103,001)
Other revenues					585,142	9,142	594,284
Transfers, net					3,734,080	(3,734,080)	-
Total general revenues and transfers					26,322,396	(3,149,017)	23,173,379
CHANGE IN NET POSITION					6,473,976	(3,499,438)	2,974,538
NET POSITION - BEGINNING					9,714,224	16,552,921	26,267,145
Prior Period Adjustment					53,111	-	53,111
NET POSITION - BEGINNING, AS RESTATED					9,767,335	16,552,921	26,320,256
NET POSITION - ENDING					\$ 16,241,311	\$ 13,053,483	\$ 29,294,794

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

CITY OF LAUREL, MISSISSIPPI

Balance Sheet
Governmental Funds
September 30, 2019

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

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

CITY OF LAUREL, MISSISSIPPI

**Balance Sheet
Governmental Funds
September 30, 2019**

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

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

CITY OF LAUREL, MISSISSIPPI

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2019**

EXHIBIT C-1

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

Total position reported for the governmental activities in the statement of net position is different because:

1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds

Land	887,520	
Construction in progress	3,102,674	
Buildings and infrastructure	72,704,082	
Furniture and mobile equipment	9,232,409	
Accumulated Depreciation	<u>(33,347,612)</u>	52,579,073

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

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

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

Net pension liability	<u>(28,745,662)</u>	(28,745,662)
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5. Deferred outflows and inflows related to pensions are applicable to future period and, therefore, are not reported in the funds:

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

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

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

CITY OF LAUREL, MISSISSIPPI

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended September 30, 2019

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

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

CITY OF LAUREL, MISSISSIPPI

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended September 30, 2019

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

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

CITY OF LAUREL, MISSISSIPPI

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended September 30, 2019**

EXHIBIT D-1

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

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

1.	Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	3,718,271	
	Net disposals	(125,554)	
	Depreciation expense	<u>(2,545,636)</u>	1,047,081
2.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
	Proceeds from loans	(114,380)	
	Payments of debt principal	2,977,807	
	Accrued interest payable	7,054	
	Change in issuance costs	<u>(15,733)</u>	2,854,748
3.	Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
	Change in compensated absences	<u>9,535</u>	9,535
4.	The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires that pension expense and deferred outflows/inflows of resources related to pensions be recognized.		
	Pension expense for the current period	(1,277,953)	
	Contributions made subsequent to the measurement date	<u>451,617</u>	<u>(826,336)</u>
	Change in net position of governmental activities (Exhibit B)		<u>\$ 6,473,976</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, 2019**

EXHIBIT E

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

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

CITY OF LAUREL, MISSISSIPPI

Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2019

EXHIBIT F

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

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

CITY OF LAUREL, MISSISSIPPI

**Statement of Net Position
Proprietary Funds
September 30, 2019**

EXHIBIT G

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

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

CITY OF LAUREL, MISSISSIPPI

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2019**

EXHIBIT H

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

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

CITY OF LAUREL, MISSISSIPPI

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019**

EXHIBIT I

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

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Basis of Presentation

Government-wide and fund financial statements

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those clearly identifiable to a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as *general revenues*.

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

The City reports the following major governmental funds:

- General Fund - This is the City's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenditures, including instructional, support and other costs are paid from the general fund.
- Recreation Fund – This fund is used to account for all recreational activities and related expenses.
- Bond and Interest Retirement Fund – This fund is used to account for the retirement of long-term debt in the governmental funds.
- Tourism Bond 1996 Fund – This fund is used to account for the retirement of long-term debt in the governmental funds.
- Tourism Bond 1998 Fund – This fund is used to account for the retirement of long-term debt in the governmental funds.
- Capital Improvements Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- Street Improvements Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital infrastructure.
- 2019 Drainage Bond Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital infrastructure.
- Recreation Improvement Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF LAUREL, MISSISSIPPI

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

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

The City reports the following major proprietary funds:

- Public Utility Bonds Fund – This fund is used to account for the long-term debt related to public utility expansion through the state revolving loan fund.
- Public Utility Fund – This fund accounts for the business activities of the water and sewer sector of the City.
- Solid Waste Fund – This fund accounts for the business activities of the solid waste operations of the City.

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

Additionally, the city reports the following fund types:

GOVERNMENTAL FUND TYPES:

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

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

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

PROPRIETARY FUND TYPES:

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

FIDUCIARY FUNDS TYPES:

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable and available only when cash is received by the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government’s public utility and solid waste functions and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

CITY OF LAUREL, MISSISSIPPI

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

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

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

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

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

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

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

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

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

D. Account Classifications.

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

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

E. Encumbrances.

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

F. Assets, Liabilities, and Net position

Cash and cash equivalents

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

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

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

Receivables and payables

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

Due from other Governments

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

Inventories and prepaid items

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

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

Capital assets

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

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

Compensated absences

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

Long-term obligations

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

Fund equity

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

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

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

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

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

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

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

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

Ad Valorem Taxes

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

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

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

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

Budgets and Budgetary Accounting

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

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

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

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

Use of estimates

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

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

Cash and Cash Equivalents

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, fiduciary funds, and enterprise funds was \$3,641,360, including cash equivalents of \$258,113. The bank balance was \$3,620,674.

Custodial Credit Risk – Deposits - Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2019, none of the City's bank balance of \$3,620,674 was exposed to custodial credit risk.

Investments

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

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

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2019, the City's investments in commercial paper were rated AA by Standard & Poor's. The City's investments in U.S. Government Obligations, Collateralized Mortgage Obligations, and Municipal Obligations were rated AA by Standard & Poor's.

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

Concentration of Credit Risk - A disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. The following table details the collective makeup of the City's investments at September 30, 2019.

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

CITY OF LAUREL, MISSISSIPPI

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

Note 3 – Accounts Receivable

The balance in the accounts receivable is computed as follows:

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

Note 4 – Interfund Receivables, Payables, and Transfers.

The following is a summary of interfund transactions and balances:

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 5 – Capital Assets

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

Governmental activities:

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

CITY OF LAUREL, MISSISSIPPI

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

Note 6 – Capital Assets (Cont.)

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 6 – Capital Assets (Cont.)

Depreciation expense was charged to the following governmental functions:

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities

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

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

A. General Obligation Bonds Payable

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts Outstanding</u>
General government	1.0 - 5.25%	\$ 16,805,000
Proprietary	1.0-3.0%	10,620,000
Total General Obligation Bonds		<u><u>\$ 27,425,000</u></u>

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

B. Notes from Direct Borrowings in Governmental Funds

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

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

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

C. Notes from Direct Borrowings in Proprietary Fund

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

	<u>State of Mississippi</u>					
Date of Note	9/19/2003	5/1/2004	7/1/2011	5/1/2012	11/1/2013	11/15/2015
Original Amount	\$ 2,129,452	\$ 4,309,018	\$ 870,373	\$ 4,036,493	\$ 4,958,126	\$ 3,916,079
Unpaid Principal	\$ 635,378	\$ 1,513,679	\$ 558,518	\$ 2,690,941	\$ 4,266,885	\$ 3,234,663
Monthly Installment	\$ 11,067	\$ 21,594	\$ 4,551	\$ 20,228	24,935.00	20,642.00
Interest Rate	1.75%	1.75%	3.00%	3.00%	1.75%	1.95%

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

D. Obligations Under Capital Leases- Governmental

Debt current outstanding in the Governmental Funds is as follows:

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

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

D. Obligations Under Capital Leases- Proprietary Activities

Debt current outstanding in the Proprietary Funds is as follows:

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

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 7 – Long-term Liabilities (Cont.)

E. Obligations Under Energy Efficiency Lease- Governmental

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

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

Note 8 – Defined Benefit Pension Plan

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

General Information about the Pension Plans

Plan Description - The City of Laurel, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. The City also participates in the Mississippi Municipal Retirement System (MMRS) which covers certain retired police and firemen. For fiscal year 2019, the City collected 4.46 mills of tax to fund their portion of the plan. The City's contribution to MMRS for the fiscal years ended September 30, 2019, 2018 and 2015 were \$924,772, \$719,601 and \$1,107,949 respectively. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy – At September 30, 2019, PERS members are required to contribute 9.0% of their annual covered salary, and the City of Laurel, Mississippi is required to contribute at an actuarially determined rate. The rate for fiscal year ended September 30, 2019, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$1,539,056, \$1,430,801 and \$1,446,082, respectively, which equaled the required contributions for each year.

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

At September 30, 2019, the City reported a liability of \$30,378,876 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 8 - Defined Benefit Pension Plan (Cont.)

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			
	PERS		MMRS	Total
	Governmental Activities	Business-Type Activities	Governmental Activities	
Difference between expected and actual experience	\$ 13,852	\$ 957	\$ -	\$ 14,809
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in assumptions	231,850	16,012	-	247,862
Changes in proportion and difference between contributions	164,314	11,347	-	
City's contributions subsequent to the measurement date	420,159	29,017	31,458	480,634
Total	\$ 830,175	\$ 57,333	\$ 31,458	\$ 918,966

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

CITY OF LAUREL, MISSISSIPPI

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

Note 8 - Defined Benefit Pension Plan (Cont.)

\$480,634 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

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

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 18.5 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF LAUREL, MISSISSIPPI

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

Note 8 - Defined Benefit Pension Plan (Cont.)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	27 %	4.90 %
International Equity	22	4.75
Global Equity	12	5.00
Fixed Income	20	1.50
Real Estate	10	4.00
Private Equity	8	6.25
Cash	1	0.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability - PERS	\$ 33,234,002	\$ 25,281,952	\$ 18,718,249
City's proportionate share of the net pension liability – MMRS	\$ 5,837,639	\$ 5,096,924	\$ 4,454,488

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

CITY OF LAUREL, MISSISSIPPI

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

Note 9 – Litigation and Contingent Liabilities

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

The City is partially self-insured for hospitalization insurance. The City pays the first \$35,000 in claims per insured. The third-party provider bills the City for Claims on a 10-day cycle.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

Participation in Public Entity Risk Pool:

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

Note 10 – Other Commitments

Operating leases:

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

Commitments under construction contracts are described in Note 6.

Note 11 – Legal Debt Limit

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

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

Limitation of Indebtedness

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

Note 12 – Employment Security Fund

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2019

Note 13 – Municipal Compliance Questionnaire

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

Note 14 – Joint Ventures

The City participates in the following joint ventures:

The City of Laurel, Mississippi is a participant with Jones County and the Cities of Ellisville and Sandersville in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Laurel – Jones County Library. The joint venture was created to provide free public library service to all the people of Jones County and is governed by a twelve-member board. Five members are appointed by the city, five members are appointed by the county and one member is appointed by each of the cities of Ellisville and Sandersville. By contractual agreement the City's appropriation to the joint venture amounted to \$108,500. Complete financial statements for the Laurel – Jones County Library can be obtained from the Laurel – Jones County Library, 530 Commerce Street, Laurel, MS 39440.

The City of Laurel, Mississippi is a participant with the Cities of Hattiesburg and Petal and the Counties of Covington, Jones and Perry in a joint venture, authorized by Section 17-17-307 Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was to dispose of solid waste in the participating jurisdictions. The City of Laurel appoints 2 of the twelve members of the board of directors. The Authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

The City of Laurel, Mississippi is a participant with Jones County and the Cities of Ellisville, Soso, and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a board of trustees composed of twelve members appointed as follows: Jones County Board of Supervisors, six; City of Laurel, three; City of Ellisville, three. The City's appropriation from the General Fund to the joint venture amounts to \$55,000. Complete financial statements for the Jones County Economic Development Authority can be obtained from the Jones County Economic Development Authority, P.O. Box 527, Laurel, MS 39441-0527.

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

CITY OF LAUREL, MISSISSIPPI

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

Note 14 – Joint Ventures (Cont.)

The City of Laurel, Mississippi entered into an interlocal agreement with Jones County, Mississippi and the City of Ellisville, Mississippi to operate the Jones County Emergency Operations Center which operates the 911 system and coordinates other civil defense matters. The board consists of the Mayor, Police Chief and Council President from the City of Laurel, Mississippi, four officials from Jones County, Mississippi and the Mayor of Ellisville, Mississippi. The City of Laurel, Mississippi appropriated \$300,000 to the joint venture in 2019. The financial statements of the Jones County Emergency Operations Center are included in the Jones County financial statements.

Note 15 – Jointly Governed Organizations

The South Mississippi Fair operates in Jones County and the City of Laurel, Mississippi. The Commissioners are appointed as follows: five by the Mayor with Council approval, and five by the Jones County Board of Supervisors. The property of the Commission reverts to the City upon dissolution of the Commission. The City appropriates excess funds from Tourism Tax receipts and shares with the South Mississippi Fair Commission. For 2019 and 2018, the City shared \$164,422 and \$160,064, respectively with this organization from tourism tax receipts.

Note 16 – Reconciliation of Budgetary Basis to Accrual

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

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

Note 17 – Tax Abatements

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

CITY OF LAUREL, MISSISSIPPI

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

Note 18 – Deficit Fund Balances

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

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

Note 19 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Laurel, Mississippi evaluated the activity of the city through February 20, 2020, the date the financial statements were available to be issued.

Note 20 – Prior Period Adjustments

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

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

Governmental Activities

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

General Fund

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

CITY OF LAUREL, MISSISSIPPI

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

Note 20 – Prior Period Adjustments (cont'd)

NRCS/PH Drainage Project Fund

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUREL, MISSISSIPPI

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

Schedule 1a

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

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

CITY OF LAUREL, MISSISSIPPI

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

Schedule 1b

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

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

City of Laurel, Mississippi

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

PERS

Last 10 Fiscal Years*

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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

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

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

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

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

City of Laurel, Mississippi

Schedule of Changes in Net Position Liability

MRS

Last 10 Fiscal Years

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

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

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

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

Notes to Required Supplemental Information Year Ended September 30, 2019

Budgetary Comparison Schedules

(1) Basis of presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

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

CITY OF LAUREL, MISSISSIPPI

Notes to Required Supplemental Information Year Ended September 30, 2019

- 2018
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
 - 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
 - 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively
- (2) Changes in benefit provisions.
- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Notes to the supplementary schedules related to MRS Pension:

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

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

Methods and assumptions used to determine contribution rates:

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

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Members of the City Council
City of Laurel, Mississippi

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

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

City of Laurel, Mississippi's Response to Findings

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, Mississippi
February 20, 2020

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



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

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

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

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

We have audited the basic financial statements of the City of Laurel, Mississippi as of and for the year ended September 30, 2019, and have issued our report thereon dated February 20, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding #1

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

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

Response: The City concurs with the audit finding and will closely monitor line items which may exceed the budgeted amount.

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Finding #2

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

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

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

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

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

Holt & Associates, PLLC

Laurel, Mississippi
February 20, 2020

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF LAUREL, MISSISSIPPI

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

Section 1: Financial Statement Findings:

Material Weakness:

Finding 2019-001

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

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

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

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

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

CITY OF LAUREL, MISSISSIPPI

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

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

CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2019
 GENERAL FUND

	FY2018 ACTUAL PLUS <u>ESTIMATED</u>	FY2019 RECOMMENDED <u>BUDGET</u>
GENERAL FUND REVENUES		
Licenses & Permits:	2,046,448	2,055,200
State Shared Revenues:	9,834,372	9,791,026
Charges for Services:	78,976	46,800
Fines & Forfeitures	554,744	550,000
Miscellaneous Receipts:		
Interest	13,469	10,000
Rentals	6,500	-
Cemetery Fees	4,260	5,000
Oil Field Property Lease & Royalties	83,846	80,000
Bad Check Fees	7,843	5,000
Miscellaneous Receipts	11,858	-
Transfers	50,000	253,113
	<hr/>	<hr/>
Total Revenue from Sources other than Taxation	12,692,316	12,796,139
Beginning Cash & Investment Balance	212,999	426,224
Amount Necessary to be Raised by Tax Levy:		
Realty Tax	1,600,154	1,858,286
Personalty Tax	900,289	853,737
Auto Tax	304,908	314,976
Homestead Reimb	107,753	-
	<hr/>	<hr/>
TOTAL GENERAL REVENUES FROM ALL SOURCES	<u>\$15,818,419</u>	<u>\$16,249,362</u>
 GENERAL FUND EXPENDITURES		
GENERAL GOVERNMENT		
Personnel	\$ 1,738,855	\$ 1,834,478
Supplies	34,838	52,065
Services	2,129,659	2,010,966
Transfers	-	-
Debt Service	-	-
Capital	26,000	-
	<hr/>	<hr/>
Total General Government Expenditures	<u>3,929,352</u>	<u>3,897,509</u>

CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2019
 GENERAL FUND

FY2018
 ACTUAL PLUS RECOMMENDED
ESTIMATED BUDGET

PUBLIC SAFETY

Personnel	7,446,282	7,872,415
Supplies	367,711	316,541
Services	570,072	585,100
Transfers	-	-
Debt Service	57,183	57,183
Capital	56,000	-

Total Public Safety Expenditures 8,497,247 8,831,239

PUBLIC WORKS

Personnel	1,455,383	1,675,400
Supplies	260,137	224,737
Services	56,260	59,958
Transfers	-	-
Debt Service	-	-
Capital	-	7,000

Total Public Works Expenditures 1,771,780 1,967,095

OUTSIDE SERVICES (APPROPRIATIONS) 752,921 769,644

TRANSFERS 440,894 348,648

TOTAL/SUMMARY ALL DEPARTMENTS

Personnel	10,640,520	11,382,293
Supplies	662,686	593,343
Services	3,508,913	2,656,024
Transfers	440,894	0
Debt Service	57,183	57,183
Capital	82,000	7,000

TOTAL GENERAL FUND EXPENDITURES 15,392,195 15,814,135

BALANCE AT END OF YEAR 426,224 435,227

TOTAL EXPENDITURES AND YEAR-END BALANCE \$15,818,419 \$16,249,362

ENTERPRISE FUND REVENUES

Charges for Public Utility Services

Water Sales & Taps	4,707,164	4,630,000
Sewer Sales & Taps	5,920,238	5,903,000
Service Connections & Fees	218,517	216,200

Charges for Solid Waste Services

Sanitation	1,528,078	1,550,000
Landfill	16,110	28,000
Capital Leases	-	-

Miscellaneous Revenue

Interest, Transfers, Contribution, & Misc.	257,272	426,238
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CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2019

FY2018
 ACTUAL PLUS RECOMMENDED
ESTIMATED BUDGET

Total Revenues From All Sources	12,647,379	12,753,438
Beginning Cash & Investment Balance	<u>6,678,676</u>	<u>6,420,049</u>
TOTAL ENTERPRISE REVENUE FROM ALL SOURCES	<u>\$ 19,326,055</u>	<u>\$ 19,173,487</u>

ENTERPRISE FUND EXPENDITURES

Public Utilities

Personnel	\$ -	\$ -
Supplies	1,166,876	1,205,650
Services	5,777,278	5,990,160
Debt Service	1,243,500	2,092,703
Capital	2,046,989	557,000
Transfers	<u>1,082,429</u>	<u>1,329,894</u>

Total Public Utilities	<u>11,317,072</u>	<u>11,175,407</u>
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Solid Waste

Personnel	\$ 753,242	\$ 976,867
Supplies	161,280	158,450
Services	375,141	388,753
Debt Service	53,842	53,842
Capital	168,000	-
Transfers	<u>77,430</u>	<u>-</u>

Total Solid Waste Expenditures	<u>1,588,935</u>	<u>1,577,912</u>
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Total Enterprise Fund Expenditures	<u>12,906,006</u>	<u>12,753,319</u>
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Balance at Year End	<u>6,420,049</u>	<u>6,420,168</u>
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**TOTAL ENTERPRISE EXPENDITURES AND
 ENDING BALANCE**

	<u>\$ 19,326,055</u>	<u>\$ 19,173,487</u>
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RECREATION FUND REVENUES

Charges for Services

Ellis Center	12,827	15,000
Cameron Center	74,569	73,200
Field Rentals & Maintenance	15,400	15,400
Various Sports Incomes	150,898	140,000

Miscellaneous

Contributions	2,050	
Transfers	<u>1,141,250</u>	<u>1,250,000</u>

Total Revenue from Sources other than Taxation	1,396,994	1,493,600
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CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2019

FY2018
 ACTUAL PLUS RECOMMENDED
ESTIMATED

FY2019
 RECOMMENDED
BUDGET

Balance at Beginning of the Year	132,073	205,599
Amount Necessary to be Raised by Tax Levy:		
Realty Tax	430,343	500,141
Personalty Tax	254,470	241,471
Auto Tax	86,248	89,088
Interest & Penalties	2,841	-
Homestead Reimb	30,484	-
TOTAL RECREATION REVENUES FROM ALL SOURCES	\$ 2,333,453	\$ 2,529,899

Recreation Fund Expenditures

Cultural & Recreation		
Personnel	\$ 1,154,075	\$ 1,294,677
Supplies	307,661	331,341
Services	536,693	572,938
Debt Service	-	-
Capital	60,369	-
Transfers	69,056	101,225
Total Recreation Expenditures	<u>2,127,854</u>	<u>2,300,181</u>
Balance at Year End	<u>205,599</u>	<u>229,718</u>
TOTAL RECREATION EXPENDITURES AND ENDING BALANCE	<u>\$2,333,453</u>	<u>\$2,529,899</u>

SPECIAL FUND REVENUES

Public Safety Revenues:		
Fire Insurance Rebate	105,832	100,000
Fines/Fees	78,068	79,000
Haz/Mat Grant Proceeds	245,263	108,971
Victims Advocate Grant Proceeds	35,259	33,323
Forfeitures/Seizures/Auction	36,082	50,000
Total Public Safety Revenues	<u>500,504</u>	<u>371,294</u>
Capital Projects Revenues:		
Brownfields Grant	53,998	-
Recreation Program Grants	107,835	263,548
Capital - Vehicles	750,000	
Street Improvements	339,154	4,625,000
Drainage Improvements	69,140	78,750
Recreation Improvement	5,500	120,000
Public Utility Improvement	550,392	3,175,392
Total Capital Projects Revenue	<u>1,876,019</u>	<u>8,262,690</u>
Bond Retirement Revenues:		
Reimbursements from Others	335,250	385,250
Tourism Tax	1,686,254	1,700,000
Total Bond Retirement Revenues	<u>2,021,504</u>	<u>2,085,250</u>

BUDGET OF ESTIMATED REVENUES & EXPENDITURES
For Fiscal Year Ending September 30, 2019

ACTUAL PLUS RECOMMENDED
ESTIMATED BUDGET

Miscellaneous:

Interest earnings	57,205	170,000
Transfers	1,451,110	1,508,623
Total Miscellaneous Revenue	<u>1,508,315</u>	<u>1,678,623</u>

Beginning Cash & Investment Balance	<u>20,227,993</u>	<u>20,884,649</u>
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Total Receipts other than Ad Valorem Tax	26,134,335	33,282,506
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Amount Necessary to be Raised by Tax Levy:

Realty Tax	1,647,841	2,274,849
Personalty Tax	870,317	1,085,247
Auto Tax	312,184	400,390
Homestead Reimb	110,615	-
TOTAL SPECIAL FUND REVENUES & ENDING BALANCE	<u>29,075,292</u>	<u>37,042,992</u>

SPECIAL FUND EXPENDITURES

Public Safety & Recreation Expenditures

Personnel	180,823	374,803
Supplies	2,642	4,687
Services	138,523	112,218
Debt Service	83,892	83,892
Capital	407,673	130,527
Transfers	-	-
Total Public Safety & Recreation Expenditures	<u>813,553</u>	<u>706,127</u>

Capital Projects Expenditures

Brownfields Grant	11,880	48,611
Capital - Vehicles	750,829	-
Street Improvements	842,717	11,781,280
Drainage Improvements	64,258	242,002
Beautification	-	2,851
Recreation Improvements	52,097	4,120,000
Public Utility Improvement	1,117,818	9,276,238
Total Capital Projects Expenditures	<u>2,839,599</u>	<u>25,470,982</u>

Miscellaneous:

Bond Retirement Expenditures	2,951,058	3,301,528
Bond Fund Transfers Out	890,673	1,090,000
PERS	695,760	768,700
Total Special Revenue Fund Expenditures	<u>4,537,491</u>	<u>5,160,228</u>

Balance at Year End	<u>20,884,649</u>	<u>5,705,655</u>
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TOTAL SPECIAL FUND EXPENDITURES & ENDING BALANCE	<u>\$29,075,292</u>	<u>\$37,042,992</u>
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CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2020
 GENERAL FUND

	FY2019 ACTUAL PLUS <u>ESTIMATED</u>	FY2020 RECOMMENDED <u>BUDGET</u>
GENERAL FUND REVENUES		
Licenses & Permits:	2,141,617	2,159,700
State Shared Revenues:	10,159,726	9,587,026
Charges for Services:	498,527	140,300
Fines & Forfeitures	457,305	500,000
Miscellaneous Receipts:		
Interest	116,731	25,000
Rentals	6,500	6,500
Cemetery Fees	6,360	5,000
Oil Field Property Lease & Royalties	112,138	90,000
Bad Check Fees	7,270	6,000
Miscellaneous Receipts	11,691	-
Transfers	272,434	50,000
	<hr/>	<hr/>
Total Revenue from Sources other than Taxation	13,790,299	12,569,526
Beginning Cash & Investment Balance	740,522	1,961,779
Amount Necessary to be Raised by Tax Levy:		
Realty Tax	1,766,209	1,914,700
Personalty Tax	1,081,551	1,115,274
Auto Tax	310,789	333,226
Homestead Reimb	98,809	-
	<hr/>	<hr/>
TOTAL GENERAL REVENUES FROM ALL SOURCES	<u>\$17,788,179</u>	<u>\$17,894,505</u>

GENERAL FUND EXPENDITURES

GENERAL GOVERNMENT		
Personnel	\$ 1,813,656	\$ 1,865,089
Supplies	52,123	57,641
Services	2,219,999	1,951,117
Transfers	-	-
Debt Service	-	21,953
Capital	14,844	-
	<hr/>	<hr/>
Total General Government Expenditures	4,100,622	3,895,800

CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2019
 GENERAL FUND

FY2019
 ACTUAL PLUS
ESTIMATED

FY2020
 RECOMMENDED
BUDGET

PUBLIC SAFETY

Personnel	7,532,845	7,979,999
Supplies	389,961	344,039
Services	503,752	556,776
Transfers	-	-
Debt Service	57,183	117,462
Capital	229,558	-

Total Public Safety Expenditures 8,713,299 8,998,277

PUBLIC WORKS

Personnel	1,401,073	1,762,317
Supplies	300,630	244,851
Services	59,262	62,565
Transfers	-	-
Debt Service	72,718	98,906
Capital	41,693	-

Total Public Works Expenditures 1,875,376 2,168,639

OUTSIDE SERVICES (APPROPRIATIONS) 788,455 782,205

TRANSFERS 348,648 63,500

TOTAL/SUMMARY ALL DEPARTMENTS

Personnel	10,747,575	11,607,405
Supplies	742,714	646,531
Services	3,571,467	2,570,458
Transfers	348,648	0
Debt Service	129,901	238,321
Capital	286,095	0

TOTAL GENERAL FUND EXPENDITURES 15,826,400 15,908,420

BALANCE AT END OF YEAR 1,961,779 1,986,085

TOTAL EXPENDITURES AND YEAR-END BALANCE \$17,788,179 \$17,894,505

ENTERPRISE FUND REVENUES

Charges for Public Utility Services

Water Sales & Taps	4,825,060	4,630,000
Sewer Sales & Taps	6,024,612	5,902,500
Service Connections & Fees	233,357	223,500

Charges for Solid Waste Services

Sanitation	1,535,988	1,550,000
Landfill	39,984	35,000
Capital Leases	-	-

Miscellaneous Revenue

Interest, Transfers, Contribution, & Misc.	617,570	397,119
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CITY OF LAUREL
 BUDGET OF ESTIMATED REVENUES & EXPENDITURES
 For Fiscal Year Ending September 30, 2019

FY2019 FY2020
 ACTUAL PLUS RECOMMENDED
ESTIMATED BUDGET

Total Revenues From All Sources	13,276,571	12,738,119
Beginning Cash & Investment Balance	<u>7,196,552</u>	<u>5,936,726</u>
TOTAL ENTERPRISE REVENUE FROM ALL SOURCES	<u>\$ 20,473,123</u>	<u>\$ 18,674,845</u>

ENTERPRISE FUND EXPENDITURES

Public Utilities		
Personnel	\$ -	\$ -
Supplies	1,256,470	1,187,600
Services	6,483,901	6,144,914
Debt Service	2,174,614	2,193,715
Capital	862,875	472,000
Transfers	<u>2,314,350</u>	<u>1,050,000</u>
Total Public Utilities Expenditures	<u>13,092,211</u>	<u>11,048,229</u>
Solid Waste		
Personnel	\$ 846,293	\$ 958,230
Supplies	201,249	165,910
Services	396,644	411,773
Debt Service	-	37,000
Capital	-	-
Transfers	<u>-</u>	<u>-</u>
Total Solid Waste Expenditures	<u>1,444,186</u>	<u>1,572,913</u>
Total Enterprise Fund Expenditures	<u>14,536,397</u>	<u>12,621,142</u>
Balance at Year End	<u>5,936,726</u>	<u>6,053,703</u>
TOTAL ENTERPRISE EXPENDITURES AND ENDING BALANCE	<u>\$ 20,473,123</u>	<u>\$ 18,674,845</u>

RECREATION FUND REVENUES

Charges for Services		
Ellis Center	22,731	23,000
Cameron Center	68,082	73,000
Field Rentals & Maintenance	15,400	15,400
Various Sports Incomes	152,732	152,000
Miscellaneous		
Contributions & Grants	19,000	
Transfers	<u>1,250,000</u>	<u>1,110,000</u>
Total Revenue from Sources other than Taxation	1,527,945	1,373,400

CITY OF LAUREL	FY2019	FY2020
BUDGET OF ESTIMATED REVENUES & EXPENDITURES	ACTUAL PLUS	RECOMMENDED
For Fiscal Year Ending September 30, 2019	<u>ESTIMATED</u>	<u>BUDGET</u>

Balance at Beginning of the Year	284,168	388,122
Amount Necessary to be Raised by Tax Levy:		
Realty Tax	475,134	513,291
Personalty Tax	298,700	312,530
Auto Tax	87,911	93,379
Interest & Penalties	3,086	-
Homestead Reimb	27,951	-
	<hr/>	<hr/>
TOTAL RECREATION REVENUES FROM ALL SOURCES	<u>\$ 2,704,895</u>	<u>\$ 2,680,722</u>

Recreation Fund Expenditures

Cultural & Recreation		
Personnel	\$ 1,224,619	\$ 1,337,407
Supplies	320,569	321,038
Services	564,756	574,782
Debt Service	-	7,986
Capital	105,604	-
Transfers	101,225	50,000
	<hr/>	<hr/>
Total Recreation Expenditures	2,316,773	2,291,213
	<hr/>	<hr/>
Balance at Year End	388,122	389,510
	<hr/>	<hr/>
TOTAL RECREATION EXPENDITURES AND ENDING BALANCE	<u>\$2,704,895</u>	<u>\$2,680,722</u>

SPECIAL FUND REVENUES

Public Safety Revenues:		
Fire Insurance Rebate	109,426	100,000
Fines/Fees	65,131	65,000
Haz/Mat Grant Proceeds	56,039	-
Victims Advocate Grant Proceeds	33,323	33,735
Forfeitures/Seizures/Auction	25,647	50,000
	<hr/>	<hr/>
Total Public Safety Revenues	289,566	248,735
	<hr/>	<hr/>
Capital Projects Revenues:		
Street Improvements	65,124	5,068,740
Drainage Improvements	3,025,000	690,000
Recreation Improvement	-	345,000
Dixie Youth World Series	9,500	360,000
Public Utility Improvement	479,642	3,175,392
CDBG Water Improvement	8,000	491,000
Recreation Program Grants	176,643	131,627
	<hr/>	<hr/>
Total Capital Projects Revenue	3,763,909	10,261,759
	<hr/>	<hr/>
Bond Retirement Revenues:		
Reimbursements from Others	186,200	186,200
Tourism Tax	1,776,582	1,750,000
	<hr/>	<hr/>
Total Bond Retirement Revenues	1,962,782	1,936,200

CITY OF LAUREL BUDGET OF ESTIMATED REVENUES & EXPENDITURES For Fiscal Year Ending September 30, 2019	FY2019 ACTUAL PLUS <u>ESTIMATED</u>	FY2020 RECOMMENDED <u>BUDGET</u>
Miscellaneous:		
Interest earnings	474,482	220,000
Transfers	2,909,223	1,113,500
Total Miscellaneous Revenue	<u>3,383,705</u>	<u>1,333,500</u>
Beginning Cash & Investment Balance	<u>18,519,664</u>	<u>20,248,335</u>
Total Receipts other than Ad Valorem Tax	27,919,626	34,028,529
Amount Necessary to be Raised by Tax Levy:		
Realty Tax	2,167,360	2,225,336
Personalty Tax	1,328,325	1,338,825
Auto Tax	382,740	400,020
Homestead Reimb	124,598	-
TOTAL SPECIAL FUND REVENUES & ENDING BALANCE	<u>31,922,649</u>	<u>37,992,710</u>

SPECIAL FUND EXPENDITURES

Public Safety & Recreation Expenditures		
Personnel	314,529	242,936
Supplies	2,560	18,110
Services	108,078	98,394
Debt Service	83,892	83,892
Capital	70,532	16,108
Transfers	-	-
Total Public Safety & Recreation Expenditures	<u>579,591</u>	<u>459,440</u>
Capital Projects Expenditures		
Brownfields Grant	48,611	-
Street Improvements	1,351,076	12,414,000
Drainage Improvements	554,502	3,307,500
Beautification	1,078	1,773
Recreation Improvements	270,962	4,406,500
Public Utility Improvement	3,845,712	7,024,119
Total Capital Projects Expenditures	<u>6,071,941</u>	<u>27,153,892</u>
Miscellaneous:		
Bond Retirement Expenditures	3,144,466	2,596,597
Bond Fund Transfers Out	1,130,064	1,270,000
PERS	748,252	837,700
Total Special Revenue Fund Expenditures	<u>5,022,782</u>	<u>4,704,297</u>
Balance at Year End	<u>20,248,335</u>	<u>5,675,081</u>
TOTAL SPECIAL FUND EXPENDITURES & ENDING BALANCE	<u>\$31,922,649</u>	<u>\$37,992,710</u>

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Laurel, Mississippi (the "City") in connection with the execution and delivery of \$5,000,000 City of Laurel, Mississippi Combined Water and Sewer System Revenue Bonds, Series 2020 (the "Bonds"). The Bonds are being executed and delivered pursuant to the resolution adopted by the Mayor and City Council (the "Governing Body") of the City on July 7, 2020 (the "Resolution"). The Bonds are being issued to raise money for the purpose of (a) financing the cost of the improvement, repair, and extension of the City's combined waterworks, water supply, sewerage, and sewer disposal facilities (the "System"), (b) funding a debt service reserve fund for the Bonds, and (c) paying the costs of the sale and issuance of the Bonds. The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Registered Owners (defined below) and the Beneficial Owners (defined below) of the Bonds in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Accompanying Information" shall mean any identifying information or other information then required to accompany the applicable filing pursuant to the Rule, currently including, without limitation, the 9-digit CUSIP numbers for the Bonds.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Business Day" shall mean any day other than (a) a Saturday, (b) a Sunday, (c) any other day on which banking institutions in New York, New York, or the city in which the Paying Agent maintains its principal place of business, are authorized or required not to be open for the transaction of regular banking business or (d) any day on which the New York Stock Exchange is closed.

"City Annual Financial Information" shall mean the information summarized herein below under the heading "Annual Financial Information - City Undertaking."

"EMMA" shall mean the Electronic Municipal Market Access System found at <http://emma.msrb.org> which is the electronic format prescribed by the MSRB pursuant to the Rule.

"Fiscal Year" shall mean a period beginning on October 1 in any year and ending on September 30 of the following year or such other twelve-month period as may be adopted by the City in accordance with law.

"Independent Accountant" shall mean any firm of certified public accountants appointed by the City which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants or the State Auditor.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

"Participating Underwriter" shall mean the original purchaser of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"**Paying Agent**" shall mean the paying agent, transfer agent and registrar of the Bonds appointed by the City.

"**Registered Owner**" shall mean the person or persons in whose name any Bond is registered on the registration records of the City.

"**Repository**" shall mean the MSRB and each State Repository, if any.

"**Required Electronic Format**" shall mean the electronic format then prescribed by the SEC or the MSRB pursuant to the Rule.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect on the date of this Disclosure Certificate.

"**State**" shall mean the State of Mississippi.

"**State Repository**" shall mean any public or private repository or entity designated by the State as a State repository for the purposes of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

"**Timely**" as used herein with respect to filings required under the Rule shall have the meaning required under the Rule, which with respect to Listed Events currently means within ten (10) Business Days after the occurrence of the Listed Event.

SECTION 3. General. Nothing in this Disclosure Certificate shall prevent the City from disseminating any information in addition to that required by this Disclosure Certificate. If the City disseminates any such additional information, the City shall not have any obligation to update such information or include it in any further materials disseminated. All expenses and any other costs incurred by the City in complying with this Disclosure Certificate shall be paid by the City.

All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org>, as provided by the Rule.

SECTION 4. City Undertaking. The City hereby agrees for the benefit of the Registered Owners and the Beneficial Owners of the Bonds to provide, together with any Accompanying Information and in the Required Electronic Format:

(a) to each Repository, within twelve months after the end of each Fiscal Year of the City ending in or after September 30, 2020, but no later than September 30 of each year,

(1) the City Annual Financial Information relating to such Fiscal Year; or

(2) notice of the failure of the City to provide the City Annual Financial Information, or any portion thereof, in substantially the form attached hereto as Exhibit A; and

(b) (1) to each Repository, in a Timely manner, notice of any Listed Events; and

(2) to each Repository, in writing, in a Timely manner, notice of any event which, in the opinion of an authorized officer of the City had, or will have, a material effect on the financial condition or operations of the City.

SECTION 5. Listed Events. The City shall give or cause to be given notice of the occurrence of any of the following Listed Events with respect to the Bonds, together with any Accompanying Information and in Required Electronic Format, in a Timely manner not in excess of ten (10) business days after the occurrence thereof. All events mandated by the Rule are listed below; however, some may not apply to the Bonds.

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on the credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modification to rights of bondholders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City¹.
- (13) The consummation of a merger, consolidation, or acquisition involving the Bank or the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation² of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation² of the obligated person, any of which reflect financial difficulties.

SECTION 6. Annual Financial Information.

General. The contents, presentation and format of the City Annual Financial Information may be modified from time to time as determined in the judgment of the City to conform to changes in the Rule to disclosure principles or practices and legal requirements followed by or applicable to the City, provided that such modifications shall comply with the requirements of the Rule.

City Undertaking. City Annual Financial Information is defined to include:

¹ For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

² For purposes of the events identified in subparagraphs (b)(5)(i)(C)(15) and (16) of the Rule, the term "financial obligation" is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term "financial obligation" does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule. Numerous other terms contained in these subsections and/or in the definition of "financial obligation" are not defined in the Rule; SEC Release No. 34-83885 contains a discussion of the current SEC interpretation of those terms. For example, in the Release, the SEC provides guidance that the term "debt obligation" generally should be considered to include only lease arrangements that operate as vehicles to borrow money.

(a) audited financial statements for such Fiscal Year if audited financial statements are then available, and, if unavailable, such audited financial statements if and when they become available; and

(b) updated financial and operating information relating to the City and the System set forth in Exhibit B which is similar to the operating and financial information of the System contained in the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

SECTION 7. Financial Statements. The annual financial statements for the City for each Fiscal Year shall be prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by an Independent Accountant.

SECTION 8. Remedies. This Disclosure Certificate is enforceable in accordance with its terms by any Registered Owner or Beneficial Owner of the Bonds either directly or as a third party beneficiary. Any Registered Owner or Beneficial Owner of the Bonds shall have the rights, for the equal benefit and protection of all Registered Owners and Beneficial Owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the City and any of the officers, agents and employees of the City, and to compel the City or any such officers, agents or employees to perform and carry out their duties under their respective undertakings; provided that such rights shall be limited to an action to compel specific enforcement of the obligations of the City hereunder and shall not include any rights to monetary damages.

SECTION 9. Amendments. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The City will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

SECTION 11. Termination of Reporting Obligation. The undertaking of the City hereunder shall terminate on the earliest of (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the City shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 12. Governing Law. This Disclosure Certificate is shall be governed by the laws of the State.

IN WITNESS WHEREOF, the City has caused this Disclosure Certificate to be executed by a duly authorized officer of the City as of this 28th day of August 2020.

(SEAL)

CITY OF LAUREL, MISSISSIPPI

By _____
Mayor

ATTEST:

By _____
City Clerk

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Laurel, Mississippi

Name of Bond Issue: \$5,000,000 City of Laurel, Mississippi Combined Water and Sewer System Revenue Bonds, Series 2020

Date of Issuance: August 28, 2020

CUSIP Number: 518799

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated August 28, 2020. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF LAUREL, MISSISSIPPI

By: _____
Authorized Officer

EXHIBIT B

Name of Issuer: City of Laurel, Mississippi (the "City")

Name of Bond Issue: \$5,000,000 City of Laurel, Mississippi Combined Water and Sewer System Revenue Bonds, Series 2020

Date of Issuance: August 28, 2020

CUSIP Number: 518799

The following table sets forth the current Water and Sewer rate schedule for water and sewer customers in the City for fiscal year 20__:

	Current Rates 20__
Gallons	
Water	
First 3,000 Gallons (Residential)	
Over 3,000 Gallons (per 1,000 Gallons) (Residential)	
First 3,000 Gallons (Commercial)	
Over 3,000 Gallons (per 1,000 Gallons) (Commercial)	
Sewer²	
First 3,000 Gallons (Residential)	
Over 3,000 Gallons (per 1,000 Gallons) (Residential)	
First 3,000 Gallons (Commercial)	
Over 3,000 Gallons (per 1,000 Gallons) (Commercial)	
Wastewater Treatment	
First 3,000 Gallons (Commercial & Residential)	
Over 3,000 Gallons (per 1,000 Gallons) (Commercial & Residential)	
Garbage	
Monthly Charge	
Minimum Average Bill	

¹ The City bills their citizens/customers separately for wastewater treatment. Fire protection is provided through the City's general fund budget.

² Sewer only monthly charge is \$_____ for commercial and \$_____ for residential.

The following is an estimated breakdown of water and sewer charges for residential, commercial and industrial customers of the water and sewer system as of September 30, 20__:

	Residential Customers	Commercial and Industrial Customers	TOTALS
Water charges:			
Sewer charges:			
TOTALS			

The total number of current water customers within the System is approximately _____. The total number of gallons of water used annually is approximately _____ million gallons for calendar year 20_____.

The ten largest users of water per gallon/per month are listed below as of _____, 20_____:

TEN LARGEST CUSTOMERS:	USAGE (gallons per month)

The capacity of the City's water system for fiscal year 20____ is as follows:

Current Water System	Number of Gallons per day
Capacity	
Peak daily load	
Average daily usage	

* Based on 24-hour capacity

The ten largest users of sewer per gallon/per month are listed below as of _____ 20____:

TEN LARGEST CUSTOMERS:	USAGE (gallons per month)

The capacity of the City's sewer system for fiscal year 20__ is as follows:

Current Sewer System	Number of Gallons per day
Peak daily load	
Average daily usage	

The current outstanding debt of the System is listed below:

Bonds Outstanding¹	Outstanding Principal
Total Bonds Currently Outstanding	
SRF Loans	
Total SRF Loans Currently Outstanding	

The last five years historical debt service coverage is as follows:

	Fiscal Year 20__				
Total Revenues					
Total Expenditures					
Available for Debt Service					
Existing Debt Service					
Balance					
Debt Ratio					

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

Mayor and City Council
City of Laurel, Mississippi
Laurel, Mississippi

Re: \$5,000,000 City of Laurel, Mississippi Combined Water and Sewer System Revenue Bonds,
Series 2020

Ladies and Gentlemen:

We have acted as bond counsel ("Bond Counsel") for the City of Laurel, Mississippi (the "City"), in connection with the issuance of the City's Combined Water and Sewer System Revenue Bonds, Series 2020, dated August 28, 2020, in the total aggregate principal amount of \$5,000,000 (the "Bonds"). In such capacity, we have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Section 21-27-23 and Sections 21-27-41 through 21-27-69, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act"), and certified copies of the proceedings had by the Mayor and City Council of the City (the "Governing Body"), including the adoption of the resolution on July 7, 2020 (the "Resolution"), and other proofs submitted to us, relative to the sale and issuance by the City, acting by and through the Governing Body, of the Bonds.

The Bonds bear interest, mature and may be transferred and exchanged as set out in the Bonds and in the Resolution. Capitalized terms not defined herein are to be defined as set forth in the Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the laws of the State, including particularly the Act, and with respect to the excludability of the interest on the Bonds from federal and State income taxation. Regarding questions of fact material to our opinion, we have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the certified transcript of proceedings described in the following paragraph and on the authenticity, truthfulness and completeness set forth in such documents, instruments and certificates. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a certified transcript of proceedings pertaining to the Bonds which contains copies of certain proceedings of the City, customary certificates of officers, agents and representatives of the City and other public officials and other matters relating to the authorization and issuance of the Bonds, including a certification of the City prepared pursuant to Section 1.148-2(b)(2)(i) of the United States Treasury Regulations (the "Non-Arbitrage Certificate"). We have also examined Bond No. 1 of this issue.

Based on such examination and subject to the qualifications, statements of reliance and assumptions herein, it is our opinion, on the date hereof, that:

1. Such proceedings reflect lawful authority for the sale and issuance of the Bonds by the City pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.
2. The Bonds have been duly authorized, executed and delivered by the City under the provisions of the Resolution.

3. The Bonds are legal, valid and binding limited obligations of the City and are secured by a lien on and are payable solely from the Net Revenues derived from the operation of the System subject to the prior payment of the parity lien of the City's \$3,500,000 Combined Water and Sewer System Revenue Bonds, Series 2012 of the City, dated September 1, 2012, and the City's \$4,000,000 Combined Water and Sewer System Revenue Bonds, Series 2017, dated July 6, 2017. The Bonds are not general obligations of the City and the full faith, credit and taxing power of the City are not being pledged to the payment of the Bonds or interest thereon.
4. Under the existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. In rendering the opinion contained in this paragraph 4, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met after the issuance of the Bonds in order that interest on the Bonds not be includable in gross income for federal income tax purposes. The failure to meet such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.
5. Under and pursuant to existing laws of the State, Bonds and interest thereon are exempt from all income taxes imposed by the State.

The Governing Body, acting for and on behalf of the City, has covenanted in the Resolution (a) to comply with each requirement of the Code necessary to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, and in furtherance thereof, to comply with the Non-Arbitrage Certificate, or such other covenants as may, from time to time, be required to be complied with in order to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, (b) to not use or permit the use of any of the proceeds of the Bonds, or any other funds of the City, directly or indirectly, to acquire any securities, Bonds or other investment property, and (c) to not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code. Failure of the City to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue.

In rendering the opinion in paragraph 4 above, Bond Counsel has assumed the continuing compliance by the City with the tax covenants and representations in the Resolution and the representations in the Non-Arbitrage Certificate. These requirements relate to, *inter alia*, the use and investment of the gross proceeds of the Bonds, the use of any facility, equipment or improvement financed or refinanced directly or indirectly with the proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds have resulted in a failure of the City to comply with its covenants. Failure of the City to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of any other collateral federal income tax consequences.

It is understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar

law affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that the enforcement thereof may be subject to the exercise of judicial discretion in appropriate cases.

In this opinion letter issued in our capacity as Bond Counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of any statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certificates, resolutions, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, certifications, resolutions, documents and proceedings. In rendering this opinion, we have relied upon the opinion of Hortman, Harlow, Bassi, Robinson & McDaniel, PLLC, Laurel, Mississippi, counsel for the City, dated the date hereof, as to the due authorization and execution by the City of the Bonds and the Resolution.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

BUTLER SNOW LLP

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APPENDIX F
NOTICE OF BOND SALE

NOTICE OF BOND SALE
\$5,000,000
COMBINED WATER AND SEWER SYSTEM
REVENUE BONDS, SERIES 2020
OF THE
CITY OF LAUREL, MISSISSIPPI

NOTICE IS HEREBY GIVEN that the City Clerk of the City of Laurel, Mississippi (the “City”) will receive sealed bids in the City Clerk’s office until the hour of 4:00 o’clock p.m. on August 4, 2020, for subsequent presentation to the Mayor and City Council (the “Governing Body”) of the City at its regularly scheduled meeting in the City Hall of the City at 5:30 o’clock p.m. on August 4, 2020, at which time said bids will be publicly opened and read for the purchase in its entirety, at not less than par and accrued interest to the date of delivery thereof, of an issue of Five Million Dollars (\$5,000,000) Combined Water and Sewer System Revenue Bonds, Series 2020, of the City (the “Bonds”).

THE BONDS: The Bonds will be dated and bear interest from the date of delivery thereof; will be delivered in definitive form as registered Bonds; will be in the denomination of \$5,000 each, or integral multiples thereof up to the amount of a single maturity; will be numbered from R-1 upward in the order of issuance; will be payable as to principal at a bank or trust company to be named by the Governing Body in the manner hereinafter provided; and will bear interest, payable semiannually on August 1 and February 1 of each year, commencing August 1, 2021, at the rate or rates offered by the successful bidder in its bid in accordance with this Notice of Bond Sale.

MATURITIES: The Bonds will mature serially, with option of prior payment, on August 1 in each of the years and amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
2021	\$170,000	2031	\$250,000
2022	175,000	2032	260,000
2023	180,000	2033	270,000
2024	190,000	2034	280,000
2025	195,000	2035	290,000
2026	205,000	2036	300,000
2027	210,000	2037	315,000
2028	220,000	2038	325,000
2029	230,000	2039	340,000
2030	240,000	2040	355,000

REDEMPTION: The Bonds maturing on August 1, 2028 and thereafter, are subject to redemption prior to their stated dates of maturity at par, plus accrued interest to the date of redemption, either in whole, or in part, on any date on or after August 1, 2027.

AUTHORITY AND SECURITY: The Bonds will be issued pursuant to the provisions of Mississippi Code 1972 Annotated, Section 21-27-23 and Sections 21-27-41 through 21-27-69, as amended and/or supplemented from time to time (the “Act”). The Bonds are to be secured by Net Revenues of the combined water and sewer system (the “System”) of the City and are ratably payable from Net Revenues and other security pledged for the Bonds. The Bonds will be payable solely from the Net Revenues derived from the operation of the System of the City subject to the parity lien of the City’s \$3,500,000 Combined Water and Sewer System Revenue Bonds, Series 2012 of the City, dated September 1, 2012, and the City’s \$4,000,000 Combined Water and Sewer System Revenue Bonds, Series 2017 of the City, dated July 6, 2017.

PURPOSE: The Bonds are being issued to provide funds for the purpose of improving, repairing and extending the Combined Water and Sewer System of the City and paying the costs of issuance of the Bonds.

FORM OF BIDS: Bids must be enclosed in a sealed envelope, be addressed to the Mayor and City Council and should be plainly marked “**Bid for Combined Water and Sewer System Revenue Bonds, Series 2020, of the City of Laurel, Mississippi**” and should be filed with the Clerk of the City on or prior to the date and hour hereinabove named.

ALL BIDS SHALL BE SUBMITTED ON THE OFFICIAL BID FORM PREPARED BY THE CITY, COPIES OF WHICH MAY BE OBTAINED FROM THE CLERK OF THE CITY AT THE ADDRESS SHOWN BELOW.

GOOD FAITH DEPOSIT: Each bid must be accompanied by a cashier’s check, certified check, or exchange, issued or certified by a bank located in the State of Mississippi, payable to the City of Laurel, Mississippi, in the amount of One Hundred Thousand Dollars (\$100,000) as a guaranty that the bidder will carry out its contract and purchase the Bonds if its bid be accepted. All checks of unsuccessful bidders will be returned immediately on award of the Bonds. If the successful bidder fails to purchase the Bonds pursuant to its bid and contract, then the amount of such good faith check shall be retained by the City as liquidated damages for such failure. No interest will be allowed on the amount of the good faith deposit.

INTEREST RATE AND BID RESTRICTIONS: The Bonds shall not bear a greater overall maximum interest rate to maturity than thirteen percent (13%) per annum, nor shall the interest rate for any one maturity exceed thirteen percent (13%) per annum. No Bond shall bear more than one (1) rate of interest; each Bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; all Bonds of the same maturity shall bear the same rate of interest from date to maturity; and the lowest interest rate specified shall not be less than seventy percent (70%) of the highest interest rate specified. Each interest rate specified in any bid must be a multiple of one-eighth of one percent (1/8 of 1%) or one-tenth of one percent (1/10 of 1%) and a zero rate of interest cannot be named.

AWARD OF BONDS: The award, if any, will be made to the bidder complying with the terms of sale and offering to purchase the Bonds at the lowest net interest cost to the City, which shall be determined by computing the aggregate interest on the Bonds over the life of the issue at the rate or rates of interest specified by the bidder, less premium offered, if any. It is requested that each bid be accompanied by a statement of the net interest cost (computed to six decimal places), but such statement will not be considered a part of the bid. All bids shall remain firm for three (3) hours after the time specified for the opening of bids, and an award of the Bonds, or rejection of bids, will be made by the Governing Body within said period of time.

PAYING AGENT, TRANSFER AGENT, AND REGISTRAR: The successful bidder may designate a bank or trust company with a main office or branch located in the State of Mississippi to serve as paying agent (the “Paying Agent”) for the Bonds within forty-eight (48) hours of the date of sale of the Bonds, subject to the approval of the City. The City’s approval of the Paying Agent shall be contingent on a determination as to the willingness and ability of the Paying Agent to perform the duties of registrar and transfer agent and on the satisfactory negotiation of service fees. The Paying Agent shall be subject to change by order of the Governing Body under the conditions and in the manner provided in the Bond Resolution under which the Bonds are issued. Both principal of and interest on the Bonds will be payable by check or draft mailed to registered owners of the Bonds as of the 15th day of the month preceding the maturity date for such principal or interest payment at the addresses appearing in the registration records of the City maintained by the Paying Agent. The Bonds will be transferable only upon the records of the Paying Agent, and the payment of principal at maturity shall be conditioned on the proper presentation and surrender of the Bonds to the Paying Agent.

CUSIP NUMBER: It is anticipated that CUSIP identification numbers will be printed on the Bonds unless specifically declined by the purchaser, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City; the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

MUNICIPAL BOND INSURANCE: The City has applied for and intends to purchase municipal bond insurance for the Bonds. Bidders should directly contact the City’s financial advisor, Government Consultants, Inc.,

116 Village Boulevard, Madison Mississippi 39110, telephone: (601) 982-0005, attention: Mr. Lynn Norris, for further information prior to the sale date.

SECTION 265(b)(3) DESIGNATION: The City will designate the Bonds as qualified tax-exempt obligations within the meaning and for the purposes of Section 265(b)(3) of the Code.

ISSUE PRICE: The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at the closing for the Bonds an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, in a form reasonably required by the City and Bond Counsel.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (a) the City shall disseminate this Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (b) all bidders shall have an equal opportunity to bid;
- (c) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (d) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Bond Sale.

Any bid submitted pursuant to this Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City shall treat the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City will not require bidders to comply with the "hold-the-offering-price rule" and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing of the Bonds has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to

the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Bond Sale. Further, for purposes of this Notice of Bond Sale:

(a) "public" means any person other than an underwriter or a related party,

(b) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(c) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(d) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

LEGAL OPINION; CLOSING DOCUMENTS: The Bonds are offered subject to the unqualified approval of the legality thereof by Butler Snow LLP, Ridgeland, Mississippi, Bond Counsel. In the opinion of Butler Snow LLP, interest on the Bonds is exempt from federal and Mississippi income taxes under existing laws, regulations, rulings and judicial decisions with such exceptions as shall be required by the Internal Revenue Code of 1986. The City will pay for all legal fees and will pay for the printing and validation of the Bonds. Provided, however, the City will not pay any legal fees of the successful bidder.

PRELIMINARY OFFICIAL STATEMENT: A copy of the City's Preliminary Official Statement may be obtained by contacting the office of the Clerk, City Hall, 401 N. Fifth Avenue, Laurel, Mississippi 39441, Telephone Number: (601) 428-6404. The Preliminary Official Statement has been "deemed final" by the City for purpose of SEC Rule 15c2-12(b)(1) but is subject to revision, amendment, and completion in a final Official Statement.

CONTINUING DISCLOSURE: The City has covenanted in its Bond Resolution that under Rule 15c2-12, as amended, of the Securities and Exchange Commission (the "Rule"), the City will deliver or cause to be delivered (i) annually, within twelve months after the end of each fiscal year of the City ending on or after September 30, 2020, to the Municipal Securities Rulemaking Board updated quantitative financial information and operating data with respect to the City as set forth in the Continuing Disclosure Certificate, the form of which is included in the Official Statement, and (ii) notice of certain events, if any, relating to the Bonds and the City, as set forth in Rule, and as set forth in the Continuing Disclosure Certificate. Anyone requesting information under the continuing disclosure requirements of the Rule should contact the City Clerk, City Hall, 401 N. Fifth Avenue, Laurel, Mississippi 39441, Telephone Number: (601) 428-6404.

RIGHT OF REJECTION, CANCELLATION: The Governing Body reserves the right to reject any or all bids submitted, as well as to waive any irregularity or informality in any bid. The successful bidder shall have the right, at its option, to cancel its agreement to purchase the Bonds if the Bonds are not tendered for delivery within sixty (60) days from the date of sale thereof, and in such event the Governing Body shall return to said bidder

its good faith deposit. The Governing Body shall have the right, at its option, to cancel its agreement to sell the Bonds if within five (5) days after the tender of the Bonds for delivery the successful bidder shall not have accepted delivery of and paid for the Bonds, and in such event the Governing Body shall retain the successful bidder's good faith deposit as liquidated damages as hereinabove provided.

DELIVERY: The successful bidder will be given at least seven (7) business days advanced notice of the proposed date of delivery of the Bonds when that date has been tentatively determined. It is expected that the Bonds will be delivered in New York, New York and payment therefor shall be made in federal or other immediately available funds.

FURTHER INFORMATION: Further information with respect to the Bonds may be obtained from Mary Ann Hess, City Clerk, City Hall, 401 N. Fifth Avenue, Laurel, Mississippi 39441, Telephone Number: (601) 428-6404.

By order of the Mayor and City Council of the City of Laurel, Mississippi, on July 7, 2020.

s/ MaryAnn Hess
City Clerk

PUBLISH: July 21 and 28, 2020

APPENDIX G

SPECIMEN BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN