

CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2025**

CITY OF LAUREL, MISSISSIPPI

**Audited Financial Statements
Year Ended September 30, 2025**

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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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Laurel, Mississippi's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Mississippi as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Laurel, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability-PERS, Schedule of City Contributions-PERS, Schedule of Changes in Net Pension Liability-MRS, and the Schedule of Employer Contributions-MRS on pages 7-16 and 65-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying Schedule of Surety Bonds for Municipal Officials and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of

expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2026, 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
March 21, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2025

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, 2025. 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 2025 were as follows:

- Total net position increased by \$11,752,820, including a prior period adjustment of \$1,303,887 or 18%
- Total assets increased by \$5,368,366 or 3% from 2024
- Total liabilities decreased by \$6,534,079 or 7% from 2024
- In total, unrestricted cash and cash equivalents increased \$1,346,565 or 6.6% from 2024
- Overall, the book value of capital assets increased by \$1,671,317 or 1% from 2024

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 2025?" 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, 2025

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, Comp Street Improvement Fund, G/O Bond, Series 2024 Fund, ARPA Project Fund, Public Utility Fund, and Solid Waste Fund.

Governmental Funds

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

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 23 and 24.

CITY OF LAUREL, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2025**

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 25-27. 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 2025 compared to 2024.

Table 2 shows the Changes in Net Position for the years ended September 30, 2025 and 2024.

(See Next Pages for Table 1 and Table 2)

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2025

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	\$ 30,269,866	\$ 25,703,403	\$ 14,262,273	\$ 15,131,687	\$ 44,532,139	\$ 40,835,090
Capital assets, net	85,547,472	86,185,803	35,296,153	32,986,505	120,843,625	119,172,308
Total assets	\$ 115,817,338	\$ 111,889,206	\$ 49,558,426	\$ 48,118,192	\$ 165,375,764	\$ 160,007,398
DEFERRED OUTFLOWS	\$ 6,372,392	\$ 5,879,660	\$ -	\$ -	\$ 6,372,392	\$ 5,879,660
LIABILITIES						
Current and other liabilities	4,094,928	3,819,990	5,045,311	10,589,161	9,140,239	14,409,151
Long-term liabilities, outstanding:						
Due within one year	3,056,518	2,502,685	1,901,388	2,021,324	4,957,906	4,524,009
Payable after one year	20,997,633	22,604,039	18,363,967	19,829,550	39,361,600	42,433,589
Net pension liability	35,794,815	34,421,890	-	-	35,794,815	34,421,890
Total liabilities	\$ 63,943,894	\$ 63,348,604	\$ 25,310,666	\$ 32,440,035	\$ 89,254,560	\$ 95,788,639
DEFERRED INFLOWS	\$ 4,177,342	\$ 4,952,013	\$ -	\$ -	\$ 4,177,342	\$ 4,952,013
NET POSITION						
Net investment in capital assets	63,289,320	61,404,673	17,911,603	14,250,631	81,200,923	75,655,304
Restricted	14,054,374	13,115,454	-	4,018,294	14,054,374	17,133,748
Unrestricted	(23,275,200)	(25,054,632)	6,336,157	(1,170,986)	(16,939,043)	(26,225,618)
Total net position	\$ 54,068,494	\$ 49,465,495	\$ 24,247,760	\$ 17,097,939	\$ 78,316,254	\$ 66,563,434

CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2025

Table 2

Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES:						
Program Revenues:						
Charges for services	\$ 3,225,510	\$ 2,986,443	\$ 15,768,828	\$ 15,140,871	\$ 18,994,338	\$ 18,127,314
Operating grants and contributions	679,409	814,987	-	-	679,409	814,987
Capital grants and contributions	4,860,759	3,017,477	3,462,975	2,548,290	8,323,734	5,565,767
Total program revenues	8,765,678	6,818,907	19,231,803	17,689,161	27,997,481	24,508,068
General Revenues:						
Property taxes	10,846,936	9,120,978	-	-	10,846,936	9,120,978
Other taxes	13,309,891	13,167,949	-	-	13,309,891	13,167,949
Grants and contributions not restricted to specific programs	4,495,164	4,264,379	-	-	4,495,164	4,264,379
Other general revenues	789,056	1,832,075	556,862	1,026,017	1,345,918	2,858,092
Total general revenues	29,441,047	28,385,381	556,862	1,026,017	29,997,909	29,411,398
Total revenues	38,206,725	35,204,288	19,788,665	18,715,178	57,995,390	53,919,466
PROGRAM EXPENSES						
General government	7,773,289	7,894,919	-	-	7,773,289	7,894,919
Public safety	13,622,032	10,240,185	-	-	13,622,032	10,240,185
Public works	3,935,835	3,863,300	-	-	3,935,835	3,863,300
Health and welfare	502,785	375,210	-	-	502,785	375,210
Culture and recreation	3,926,627	3,567,161	-	-	3,926,627	3,567,161
Economic development	1,279,574	901,598	-	-	1,279,574	901,598
Water and sewer	-	-	15,565,243	14,664,619	15,565,243	14,664,619
Interest and fiscal charges	941,072	1,050,647	-	-	941,072	1,050,647
Total program expenses	31,981,214	27,893,020	15,565,243	14,664,619	47,546,457	42,557,639
Increase in net position before transfers	6,225,511	7,311,268	4,223,422	4,050,559	10,448,933	11,361,827
Transfers	(411,856)	(355,805)	411,856	155,805	-	(200,000)
Increase in net position after transfers	5,813,655	6,955,463	4,635,278	4,206,364	10,448,933	11,161,827
Net Position - Beginning	49,465,495	42,645,666	17,097,939	12,891,575	66,563,434	55,537,241
Prior Period Adjustment	(1,210,656)	-	2,514,543	-	1,303,887	-
Net Position - Beginning, as Restated	48,254,839	42,645,666	19,612,482	12,891,575	67,867,321	55,537,241
Net Position - Ending	\$ 54,068,494	\$ 49,601,129	\$ 24,247,760	\$ 17,097,939	\$ 78,316,254	\$ 66,699,068

CITY OF LAUREL, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2025**

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 \$4,602,999, including a prior period adjust of (\$1,210,656). The net position of the City's business-type activities increased by \$7,149,821, including a prior period adjustment of \$2,514,543. Overall, the unrestricted net position of the City increased by \$9,286,575.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that are still outstanding). The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$	(16,939,045)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions		33,524,034
Unrestricted net position, exclusive of the net pension liability effect	\$	<u>16,584,989.</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City received \$11,029,451 in sales tax collections from the State of Mississippi, or 29% of all revenues; revenues from the collection of property taxes accounted for \$10,846,936, or 29% of all revenues. Franchise taxes collected from various entities located within the City accounted for \$1,984,621 or 5% of all revenues. Revenues received from charges for services and grants amounted to \$8,765,678 or 23% of all revenues.

Major expense activities, under the accrual basis of accounting, included Public Safety expenses accounting for \$13,622,032, or 43% of total program expenses. Culture & recreation accounted for \$4,289,511 or 13% of total program expenses. The City is committed to providing the basic services that our residents expect.

Business-Type Activities

Business type activities increased the City of Laurel, Mississippi's net position by \$7,149,821, including a prior period adjust of \$2,514,543, in 2025. The Public Utility Fund and Sewer Fund combined had total operating revenues of \$15,768,828.

CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2025

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 \$38,228,557 and expenditures of \$33,712,475. Total other financing uses were \$244,932.

The fund balance of the general fund decreased by \$1,528,645, while expenditures exceeded revenues by \$82,551.

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 2025, 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, 2025

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, 2025 and 2024.

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

	2025	2024
Land	\$ 887,520	\$ 887,520
Buildings and infrastructure	80,055,140	81,009,499
Furniture and equipment	3,128,963	3,599,588
Construction in progress	1,475,849	689,196
Total	\$ 85,547,472	\$ 86,185,803

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, 2025 and 2024.

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

	2025	2024
Buildings and infrastructure	\$ 28,689,657	\$ 24,414,110
Furniture and equipment	3,315,232	3,050,949
Construction in progress	3,291,264	5,521,446
Total	\$ 35,296,153	\$ 32,986,505

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

Additional information of the City's capital assets can be found in Note 5 on pages 42-43 of this report.

CITY OF LAUREL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2025

General Long-Term Obligations

At September 30, 2025, the City of Laurel, Mississippi had outstanding long-term debt of \$42,507,702 and a balance of \$1,795,308 for compensated absences. Table 4 indicates the total outstanding long-term obligations of the City.

Table 4
Outstanding Long-Term Obligations

	<u>2025</u>	<u>2024</u>
General Bonded Debt		
General Obligation Bonds	\$ 19,241,000	\$ 21,002,000
CAP Loans Payable	1,865,098	2,238,674
MS Development Bank Bonded Debt	505,000	665,000
Notes payable	184,923	318,076
Financed Purchases	462,131	557,380
Subtotal General Bonded Debt	<u>22,258,152</u>	<u>24,781,130</u>
Revenue Bonds		
Water and Sewer General Obligation Bonds	4,865,000	5,300,000
Water and Sewer Revenue Bonds	8,269,000	8,841,000
General Obligation Notes - State Revolving Loan Fund	6,695,550	7,657,845
Notes payable	-	16,779
Financed Purchases	420,000	35,250
Subtotal Revenue Bonds	<u>20,249,550</u>	<u>21,850,874</u>
Compensated Absences	<u>1,795,308</u>	<u>325,594</u>
Total Long-Term Obligations	<u>\$ 44,303,010</u>	<u>\$ 46,957,598</u>

Additional information of the City's long-term debt can be found in Note 6 on pages 44-51 of this report.

Current Issues

In fiscal year 2025, 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 seventy-six new business licenses were completed in fiscal year 2025.

The City of Laurel, Mississippi had an increase in tourism tax. Tourism sales tax showed an increase of \$81,866 or 3%, topping \$2 million dollars for the fifth consecutive year. Sales tax was up over last year by \$82,978 or 1%.

CITY OF LAUREL, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended September 30, 2025

Due to the Special Election held in June, 2022, the City passed another tourism tax of an additional 3% on hotels, B&B, and Airbnb. In its third year of collections, this additional tourism tax brought \$376,819 into the City's coffers, being \$56,115 less than the previous year. These funds are accounted for in a separate fund and used only for purposes of tourism/promotion.

Capital Equipment:

At the end of fiscal year 2025, because the City had appropriated some funds that were not going to be spent, mainly due to personnel vacancies, Administration requested the Council to reallocate these funds to the capital line items. Because of our strong end-of-year financial position, no short-term equipment loans were required to make these purchases.

The City executed a 5-year lease-purchase from Trustmark National Bank; the lease purchase was used to purchase two (2) 2025 Peterbilt 548 RLX25 Garbage Trucks with attached Pac-Mac RLX25 bodies (Sanitation Fund).

Street Funds:

The additional four mils that are levied especially for street repair is in its seventh year of collection. A total of \$1,017,662 was collected from these four mils and were used to complete the 2025 Paving Project. Over \$1.2 million dollars was collected in the Road and Bridge Fund from the County. The precise amount was \$1,289,472. The revenue is appropriated in its own fund and is used strictly for road and bridge projects.

Another source of street funds from the State is the Mississippi Infrastructure Modernization Act (MIMA), which is funds received from internet sales tax. In its sixth year of collections, over \$2,200,000 was received in FY 2025 from the proceeds of this act. These funds were budgeted for engineering and construction costs related to Spec Wilson Project and Central Avenue Phase II along with emergency cave-ins and drainage projects that occurred during the year. Each year, the City Clerk has to prepare an extremely comprehensive form on how the City spent its infrastructure funds in the previous year in order to prove that the additional MIMA funds are not being used to supplant existing funds.

Grants Management:

In FY 2025, the total amount received from seventeen grant sources was \$5,623,601. Grants were received from AmeriCorps, Department of Justice, Mississippi Department of Transportation, Natural Resource Conservation Service, and Community Development Block Grants. The remaining amount due for reimbursement is \$3,261,120.

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 Kristal Jones, City Finance Director at 601-428-6434.

CITY OF LAUREL, MISSISSIPPI
Statement of Net Position
September 30, 2025

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,158,650	\$ 3,409,067	\$ 24,567,717
Short-term investments	2,702,912	8,253,225	10,956,137
Accounts receivable (net)	3,345,145	1,736,075	5,081,220
Due from other funds	9,535	332,577	342,112
Intergovernmental receivables	2,790,969	45,168	2,836,137
Other receivables	-	470,151	470,151
Inventory	23,286	-	23,286
Prepaid assets	216,623	-	216,623
Right to use leased assets, net of amortization	22,746	16,010	38,756
Capital assets, net	85,547,472	35,296,153	120,843,625
Total Assets	115,817,338	49,558,426	165,375,764
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to bond issuance	536,474	-	536,474
Deferred outflows related to pensions	5,835,918	-	5,835,918
Total Deferred Outflows	6,372,392	-	6,372,392
LIABILITIES			
Accounts payable and accrued liabilities	2,171,383	1,065,030	3,236,413
Bank overdraft	-	3,036,603	3,036,603
Accrued interest	232,578	48,127	280,705
Customer deposits	1,000	895,551	896,551
Due to other funds	442,646	-	442,646
Due to other governments	1,245,257	-	1,245,257
Lease liability	2,064	-	2,064
Long-term liabilities (Due within one year)			
Capital related liabilities	2,780,288	1,824,738	4,605,026
Financed purchases	97,886	76,650	174,536
Non-capital related liabilities	178,344	-	178,344
Long-term liabilities (Due beyond one year)			
Lease liability	691	15,805	16,496
Capital related liabilities	19,015,733	18,004,812	37,020,545
Financed purchases	364,245	343,350	707,595
Non-capital related liabilities	1,616,964	-	1,616,964
Net pension liability	35,794,815	-	35,794,815
Total Liabilities	63,943,894	25,310,666	89,254,560
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to bond issuance	612,205	-	612,205
Deferred inflows related to pensions	3,565,137	-	3,565,137
Total Deferred Inflows	4,177,342	-	4,177,342
NET POSITION			
Investment in capital assets (net of related debt)	63,289,320	17,911,603	81,200,923
Restricted for:			
Capital improvements	7,303,439	-	7,303,439
Debt service	6,666,579	-	6,666,579
Unemployment benefits	84,356	-	84,356
Unrestricted	(23,275,200)	6,336,157	(16,939,043)
Total Net Position	\$ 54,068,494	\$ 24,247,760	\$ 78,316,254

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

CITY OF LAUREL, MISSISSIPPI
Statement of Activities
Year Ended September 30, 2025

EXHIBIT B

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL:							
General government	\$ 7,428,680	\$ -	\$ 212,256	\$ -	\$ (7,216,424)	\$ -	\$ (7,216,424)
Public safety	13,622,032	2,194,986	213,827	-	(11,213,219)	-	(11,213,219)
Public works	3,262,944	377,950	-	4,860,759	1,975,765	-	1,975,765
Health & welfare	1,157,401	-	-	-	(1,157,401)	-	(1,157,401)
Culture & recreation	4,289,511	652,574	253,326	-	(3,383,611)	-	(3,383,611)
Economic development	1,279,574	-	-	-	(1,279,574)	-	(1,279,574)
Interest and fiscal charges	941,072	-	-	-	(941,072)	-	(941,072)
Total governmental activities	31,981,214	3,225,510	679,409	4,860,759	(23,215,536)	-	(23,215,536)
BUSINESS-TYPE:							
Water & sewer	15,565,243	15,768,828	-	3,462,975	-	3,666,560	3,666,560
Total business-type activities	15,565,243	15,768,828	-	3,462,975	-	3,666,560	3,666,560
Total primary government	\$ 47,546,457	\$ 18,994,338	\$ 679,409	\$ 8,323,734	(23,215,536)	3,666,560	(19,548,976)
GENERAL REVENUES:							
Taxes:							
					7,730,455	-	7,730,455
					3,116,481	-	3,116,481
					11,029,451	-	11,029,451
					1,984,621	-	1,984,621
					284,042	-	284,042
					11,777	-	11,777
					169,110	337,731	506,841
					6,881	(2,097)	4,784
					4,495,164	191,252	4,686,416
					625,856	-	625,856
					(135,254)	29,976	(105,278)
					122,463	-	122,463
					(411,856)	411,856	-
					29,029,191	968,718	29,997,909
CHANGE IN NET POSITION					5,813,655	4,635,278	10,448,933
NET POSITION - BEGINNING					49,465,495	17,097,939	66,563,434
Prior Period Adjustment					(1,210,656)	2,514,543	1,303,887
NET POSITION - BEGINNING, AS RESTATED					48,254,839	19,612,482	67,867,321
NET POSITION - ENDING					\$ 54,068,494	\$ 24,247,760	\$ 78,316,254

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

CITY OF LAUREL, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2025

	Major Funds					EXHIBIT C
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Comp Street Improvement Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 2,319,100	\$ 480,599	\$ 4,553,237	\$ 4,457,462	\$ 9,348,252	\$ 21,158,650
Investments	1,993,229	-	293,914	-	415,769	2,702,912
Accounts receivable (net)	3,344,761	384	-	-	-	3,345,145
Due from other funds	9,535	-	-	-	-	9,535
Intergovernmental receivables	1,922,756	8,733	22,278	7,129	830,073	2,790,969
Inventory	23,285	-	-	-	-	23,285
Prepaid items	209,176	7,446	-	-	-	216,622
Total assets	\$ 9,821,842	\$ 497,162	\$ 4,869,429	\$ 4,464,591	\$ 10,594,094	\$ 30,247,118
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,088,550	\$ 198,940	\$ -	\$ 24,583	\$ 859,310	\$ 2,171,383
Bank overdraft	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Due to other funds	332,577	-	110,069	-	-	442,646
Due to other governments	1,245,257	-	-	-	-	1,245,257
Customer deposits	1,000	-	-	-	-	1,000
Total Liabilities	2,667,384	198,940	110,069	24,583	859,310	3,860,286
Fund Balances:						
Nonspendable:						
Inventory	23,285	-	-	-	-	23,285
Prepaid items	209,176	7,446	-	-	-	216,622
Restricted:						
Debt service	-	-	4,759,360	-	1,907,219	6,666,579
Capital projects	-	-	-	4,440,008	7,303,439	11,743,447
Unemployment benefits	-	-	-	-	84,356	84,356
Assigned:						
Cultural and recreational purposes	-	290,776	-	-	171,378	462,154
Public safety and awareness	-	-	-	-	268,392	268,392
Unassigned:						
	6,921,997	-	-	-	-	6,921,997
Total Fund Balance	7,154,458	298,222	4,759,360	4,440,008	9,734,784	26,386,832
Total liabilities & fund balance	\$ 9,821,842	\$ 497,162	\$ 4,869,429	\$ 4,464,591	\$ 10,594,094	\$ 30,247,118

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, 2025

EXHIBIT C-1

Total fund balances for governmental funds (Exhibit C) \$ 26,386,832

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

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

Right to use leased assets, net of amortization	22,746	
Land	887,520	
Construction in progress	1,475,849	
Buildings and infrastructure	123,181,560	
Furniture and mobile equipment	11,375,483	
Accumulated depreciation	<u>(51,372,938)</u>	85,570,220

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

Lease liability	(2,755)	
General obligation bonds	(19,241,000)	
Notes payable	(2,555,021)	
Financed purchases	(462,131)	
Compensated absences	(1,795,308)	
Accrued interest payable	<u>(232,578)</u>	(24,288,793)

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

Net pension liability	<u>(35,794,815)</u>	(35,794,815)
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4. Deferred outflows and inflows related to pensions are applicable to future period and, therefore, are not reported in the funds:

Deferred outflows related to bond issuance	536,474	
Deferred inflows related to bond issuance	(612,205)	
Deferred outflows of resources related to pensions	5,835,918	
Deferred inflows of resources related to pensions	<u>(3,565,137)</u>	<u>2,195,050</u>

Total net position of governmental activities (Exhibit A) \$ 54,068,494

CITY OF LAUREL, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2025

	Major Funds					EXHIBIT D
	General Fund	Recreation Fund	Bond and Interest Retirement Fund	Comp Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes:						
Current	\$ 5,498,705	\$ 1,207,615	\$ 3,101,429	\$ 985,809	\$ -	\$ 10,793,558
Delinquent	13,318	3,004	7,662	2,452	-	26,436
Penalties and interest on delinquent taxes	13,617	3,268	7,390	2,667	-	26,942
Homestead exemption	148,827	30,949	78,996	25,270	-	284,042
Licenses and permits	377,950	-	-	-	-	377,950
Franchise taxes on utilities	1,984,621	-	-	-	-	1,984,621
Gas & oil severance tax	11,777	-	-	-	-	11,777
State shared revenues	184,235	-	-	-	4,310,929	4,495,164
Federal grants	361,939	-	-	-	2,159,947	2,521,886
State grants	-	-	-	-	3,018,282	3,018,282
General sales taxes	11,029,451	-	-	-	-	11,029,451
Charges for services	164,351	488,223	-	-	-	652,574
Fines and forfeitures	2,092,297	-	-	-	102,689	2,194,986
Interest	135,968	-	12,355	-	20,787	169,110
Rents	113,147	-	512,709	-	-	625,856
Other revenues	15,857	65	-	-	-	15,922
Total revenues	<u>22,146,060</u>	<u>1,733,124</u>	<u>3,720,541</u>	<u>1,016,198</u>	<u>9,612,634</u>	<u>38,228,557</u>
EXPENDITURES						
General government	5,192,220	67,348	-	-	-	5,259,568
Public safety	13,208,239	-	-	-	156,737	13,364,976
Public works	2,412,125	-	-	-	-	2,412,125
Health & welfare	453,746	-	-	-	654,616	1,108,362
Culture & recreation	-	2,972,739	-	-	488,849	3,461,588
Economic Development and Assistance	838,381	-	-	-	441,193	1,279,574
Capital outlay	-	-	-	637,013	2,734,904	3,371,917
Debt service:						
Principal	113,579	5,524	1,872,761	-	531,114	2,522,978
Interest and fiscal charges	10,321	2,462	557,700	-	360,904	931,387
Total expenditures	<u>22,228,611</u>	<u>3,048,073</u>	<u>2,430,461</u>	<u>637,013</u>	<u>5,368,317</u>	<u>33,712,475</u>
Excess (deficiency) of revenues over expenditures	<u>(82,551)</u>	<u>(1,314,949)</u>	<u>1,290,080</u>	<u>379,185</u>	<u>4,244,317</u>	<u>4,516,082</u>
OTHER FINANCING SOURCES (USES)						
Unrealized gain (loss) on investments	4,230	-	(316)	-	2,967	6,881
Legal settlements	87,405	12,408	-	-	6,728	106,541
Sale of property	36,215	17,287	-	-	-	53,502
Operating transfers in	50,000	1,477,000	-	2,101,000	2,622,944	6,250,944
Operating transfers out	(1,623,944)	(80,000)	(611,856)	-	(4,347,000)	(6,662,800)
Total other financing sources (uses)	<u>(1,446,094)</u>	<u>1,426,695</u>	<u>(612,172)</u>	<u>2,101,000</u>	<u>(1,714,361)</u>	<u>(244,932)</u>
Net change in fund balances	<u>(1,528,645)</u>	<u>111,746</u>	<u>677,908</u>	<u>2,480,185</u>	<u>2,529,956</u>	<u>4,271,150</u>
Fund balances						
Fund balances - beginning	<u>8,683,103</u>	<u>186,476</u>	<u>4,081,452</u>	<u>1,959,823</u>	<u>7,204,828</u>	<u>22,115,682</u>
Fund balances - ending	<u>\$ 7,154,458</u>	<u>\$ 298,222</u>	<u>\$ 4,759,360</u>	<u>\$ 4,440,008</u>	<u>\$ 9,734,784</u>	<u>\$ 26,386,832</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, 2025**

EXHIBIT D-1

Net change in fund balances - total governmental funds (Exhibit D)		\$ 4,271,150
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	3,728,291	
Net disposals	(188,756)	
Depreciation expense	(4,177,866)	
Amortization expense	<u>(55,971)</u>	(694,302)
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.		
Payments of debt principal	2,625,497	
Accrued interest payable	(24,110)	
Change in issuance costs	<u>14,425</u>	2,615,812
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>(259,058)</u>	(259,058)
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) recovery for the current period	(610,221)	
Contributions made subsequent to the measurement date	<u>490,274</u>	<u>(119,947)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 5,813,655</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, 2025

EXHIBIT E

	State Assessment Agency Fund	Police & Fire Retirement Trust Fund	Self-Insurance Trust Fund
ASSETS			
Cash and cash equivalents	\$ 34,975	\$ 245,681	\$ 6,032
Investments	-	-	589,721
Due from other governments	94,373	4,608	-
Due from other funds	-	110,069	-
Total assets	<u>\$ 129,348</u>	<u>\$ 360,358</u>	<u>\$ 595,753</u>
LIABILITIES			
Bak overdraft	\$ -	\$ -	\$ 30,379
Hospitalization insurance	-	-	534,995
Due to other governments	63,313	350,823	-
Due to other funds	-	9,535	-
Other liabilities	66,035	-	30,379
Total liabilities	<u>\$ 129,348</u>	<u>\$ 360,358</u>	<u>\$ 595,753</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, 2025

EXHIBIT F

	Police & Fire Retirement Trust Fund
	<u> </u>
ADDITIONS	
General property taxes: current	\$ 640,770
General property taxes: delinquent	1,596
Penalties & interest	1,714
Homestead exemption reimbursement	16,436
Total additions	<u>660,516</u>
DEDUCTIONS	
General government	
Transfers to PERS	<u>660,516</u>
Total deductions	<u>660,516</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, 2025

EXHIBIT G

	Major Funds				Other Proprietary Funds	Total
	G/O Bond Series 2024	ARPA Project	Public Utility	Solid Waste		
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,029,825	\$ -	\$ 86,498	\$ 808,828	\$ 1,483,916	\$ 3,409,067
Investments	-	2,317,058	5,936,167	-	-	8,253,225
Accounts receivable (net)	-	-	1,595,247	140,828	-	1,736,075
Intergovernmental receivables	-	-	15,937	-	29,231	45,168
Other receivables	-	440,919	-	-	29,232	470,151
Prepaid expenses	-	-	-	-	-	-
Due from other funds	-	-	332,577	-	-	332,577
Total current assets	1,029,825	2,757,977	7,966,426	949,656	1,542,379	14,246,263
NON-CURRENT ASSETS						
Right to use leased assets, net of amortization	-	-	16,010	-	-	16,010
Capital assets:						
Buildings & infrastructure	-	-	97,821,622	-	-	97,821,622
Equipment	-	-	6,161,931	1,961,464	-	8,123,395
Construction in Progress	-	3,276,164	15,100	-	-	3,291,264
Less accumulated depreciation	-	-	(72,606,375)	(1,333,753)	-	(73,940,128)
Net non-current assets	-	3,276,164	31,408,288	627,711	-	35,312,163
Total assets	1,029,825	6,034,141	39,374,714	1,577,367	1,542,379	49,558,426
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	-	146,510	456,690	39,162	422,668	1,065,030
Bank overdraft	-	27,826	3,008,777	-	-	3,036,603
Accrued interest	8,833	-	39,294	-	-	48,127
Customer deposits	-	-	895,551	-	-	895,551
Finance purchases payable	-	-	-	76,650	-	76,650
G. O. bonds payable	250,000	-	205,000	-	-	455,000
Revenue bonds payable	-	-	590,000	-	-	590,000
Notes payable	-	-	779,738	-	-	779,738
Total current liabilities	258,833	174,336	5,975,050	115,812	422,668	6,946,699
NON-CURRENT LIABILITIES						
Lease liability	-	-	15,805	-	-	15,805
Finance purchases payable	-	-	-	343,350	-	343,350
G. O. bonds payable	2,615,000	-	1,795,000	-	-	4,410,000
Revenue bonds payable	-	-	7,679,000	-	-	7,679,000
Notes payable	-	-	5,915,812	-	-	5,915,812
Total non-current liabilities	2,615,000	-	15,405,617	343,350	-	18,363,967
Total liabilities	2,873,833	174,336	21,380,667	459,162	422,668	25,310,666
NET POSITION						
Invested in capital assets, net of related debt	-	3,276,164	14,427,728	207,711	-	17,911,603
Unrestricted	(1,844,008)	2,583,641	3,566,319	910,494	1,119,711	6,336,157
Total net position	(1,844,008)	5,859,805	17,994,047	1,118,205	1,119,711	24,247,760
Total liabilities and net position	\$ 1,029,825	\$ 6,034,141	\$ 39,374,714	\$ 1,577,367	\$ 1,542,379	\$ 49,558,426

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, 2025

EXHIBIT H

	Major Funds				Other Proprietary Funds	Total
	G/O Bond Series 2024	ARPA Project	Public Utility	Solid Waste		
OPERATING REVENUES						
Water sales	\$ -	\$ -	\$ 6,101,979	\$ -	\$ -	\$ 6,101,979
Sewer fees and surcharges	-	-	7,874,062	-	-	7,874,062
Water and sewer connections	-	-	68,097	-	-	68,097
Sanitation charges	-	-	-	1,582,537	-	1,582,537
Other charges	-	-	142,153	-	-	142,153
Total operating revenues	-	-	14,186,291	1,582,537	-	15,768,828
OPERATING EXPENSES						
Supplies	-	-	1,440,723	192,216	-	1,632,939
Services and charges	-	15,796	8,903,089	1,349,312	562,602	10,830,799
Depreciation and amortization	-	-	2,437,477	65,419	-	2,502,896
Total operating expenses	-	15,796	12,781,289	1,606,947	562,602	14,966,634
Operating income	-	(15,796)	1,405,002	(24,410)	(562,602)	802,194
NON-OPERATING REVENUES (EXPENSES)						
Interest revenue	-	40,968	296,763	-	-	337,731
Intergovernmental grants	-	3,180,545	77,815	-	204,615	3,462,975
Other income (expenses)	-	-	637	607	190,008	191,252
Sale of property	-	-	(1,304)	31,280	-	29,976
Transfers in	371,139	1,000,000	6,649,579	900,000	800,000	9,720,718
Transfers out	(2,000,000)	(6,107,267)	(900,000)	-	(301,595)	(9,308,862)
Unrealized gain (loss) on investments	-	45,817	(47,914)	-	-	(2,097)
Interest and fiscal charges	(121,139)	-	(477,089)	(381)	-	(598,609)
Total non-operating revenues (expenses)	(1,750,000)	(1,839,937)	5,598,487	931,506	893,028	3,833,084
Change in net position	(1,750,000)	(1,855,733)	7,003,489	907,096	330,426	4,635,278
Total net position- beginning	(94,008)	7,715,538	10,990,558	211,109	789,285	19,612,482
Total net position - ending	\$ (1,844,008)	\$ 5,859,805	\$ 17,994,047	\$ 1,118,205	\$ 1,119,711	\$ 24,247,760

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, 2025

EXHIBIT I

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 15,682,166
Payments to suppliers	<u>(13,599,055)</u>
Net cash flows from operating activities	<u>2,083,111</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers from (to) other funds	411,856
Short-term interfund loans	(109,663)
Grant income	4,585,443
Other non operating revenue(expenses)	<u>221,228</u>
Net cash provided by noncapital financing activities	<u>5,108,864</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on long-term debt	(2,021,324)
Proceeds of long-term debt	420,000
Acquisition and construction of capital assets	(4,814,351)
Interest paid on long-term debt	<u>(598,609)</u>
Net cash used by capital and related financing activities	<u>(7,014,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	337,731
Redemption of investments	<u>943,441</u>
Net cash used by investing activities	<u>1,281,172</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,458,863</u>
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>(1,086,399)</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<u>\$ 372,464</u>
Cash and cash equivalents	\$ 3,409,067
Bank overdraft	<u>(3,036,603)</u>
Total Cash and Cash Equivalents	<u>\$ 372,464</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
OPERATING INCOME	\$ 802,194
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation expense	2,496,474
Amortization expense	6,422
(Increase) decrease in accounts receivables, net of allowances	(103,387)
(Increase) decrease in prepaid assets	159,971
Increase (decrease) in accounts payable and other accrued liabilities	(1,295,288)
Increase (decrease) in customer deposits	<u>16,725</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,083,111</u>
NON CASH TRANSACTIONS	
Unrealized gain (loss) on investments	<u>\$ (2,097)</u>

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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, 2025**

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.
- Comp Street Improvement Fund – This fund is used to account for financial resources for capital improvements.

The City reports the following major proprietary funds:

- G/O Bond, Series 2024 Fund – This fund is used to account for financial resources that are restricted to acquisition or construction of capital facilities or other capital assets.
- ARPA Project Fund – This fund is used to account for financial resources that are restricted to acquisition or construction of capital facilities or other capital assets
- 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 sector 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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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.

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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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.

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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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 2022 by the Office of the State Auditor.

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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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 credit losses 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.

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.

Intergovernmental receivables

Due from other governments represents amounts due from the State of Mississippi, federal government, 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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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.

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

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

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

Compensated absences

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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.

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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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.

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, 2025, the City's combined tax rate for general governmental services and other municipal purposes was 110.24 mills or \$110.24 per \$1,000 of assessed valuation expressed as follows:

General Fund	23.55
Special Revenue Fund (Recreation)	4.90
Street Improvement Fund	4.00
Debt Service Fund	12.50
Firemen and Police Disability and Relief Fund	2.60
Laurel Municipal Separate School District	<u>66.12</u>
Total Mills	<u><u>113.67</u></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.

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2025

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

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.
- 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.

Leases

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

Deferred outflows/inflows of resources

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

1. Deferred outflows related to bond issuance \$536,474
2. Deferred outflows related to pensions \$5,835,918

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

1. Deferred inflows related to bond issuance \$612,205
2. Deferred inflows related to pensions \$3,565,137

Recently implemented and issued accounting pronouncements

GASB 101, *Compensated Absences*, was implemented during the 2025 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The City implemented GASB Statement No. 102, *Certain Risks and Uncertainties Disclosures*, for the year ended September 30, 2025. GASB 102 requires disclosure of certain significant risks and uncertainties, including (a) significant estimates and assumptions, (b) current vulnerabilities due to certain concentrations, and (c) other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Note 2 – Cash and Cash Equivalents and Investments

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

Deposits - The City Council must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1, Miss. Code Ann. (1972). The collateral pledged for the City's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

Investments - Section 21-33-323, Miss. Code Ann. (1972), authorizes the City to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest-bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects) and bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Any amounts less than \$100 can be credited to the General Fund.

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, fiduciary funds, and enterprise funds was \$21,787,423 (net of bank overdrafts reported in individual funds), including cash equivalents of \$155,292. The bank balance was \$22,265,983.

Cash and Cash Equivalents

Custodial Credit Risk – Deposits - Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2025, none of the City's bank balance was exposed to custodial credit risk.

Investments

As of September 30, 2025, 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	\$ 3,874,526
Mortgage Backed Securities	More than 10 years	3,027,753
Municipal Obligations	More than 6 years	1,410,851
United States Government Obligations	Less than 1 year	3,232,728
Total		<u>\$ 11,545,858</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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

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

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

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2025, 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, 2025.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Fair Value</u>
Asset Backed Securities	\$ 3,874,526	33.56%	Level 1
Mortgage Backed Securities	3,027,753	26.22%	Level 1
Municipal Obligations	1,410,851	12.22%	Level 1
United States Government Obligations	3,232,728	28.00%	Level 1
Total	<u>\$11,545,858</u>	<u>100.00%</u>	

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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	\$ 27,579,431	\$ 24,821,488	\$ 2,757,943
Cemetary	15,185	-	15,185
Other	572,017	-	572,017
Total	<u>\$ 28,166,633</u>	<u>\$ 24,821,488</u>	<u>\$ 3,345,145</u>
<u>Proprietary Funds</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Water and Sewer	\$ 4,028,689	\$ 2,433,442	\$ 1,595,247
Solid Waste	526,304	385,476	140,828
Total	<u>\$ 4,554,993</u>	<u>\$ 2,818,918</u>	<u>\$ 1,736,075</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	\$ 200,000
	Other Governmental Funds	523,944
	Solid Waste Fund	900,000
Recreation Fund	Other Governmental Funds	80,000
Bond and Interest Retirement Fund	Public Utility Fund	240,717
	Water Meter Replacement Project Fund	371,139
Other Governmental Funds	Recreation Fund	1,277,000
	Comp Street Improvement Fund	1,101,000
	Other Governmental Funds	1,969,000
Water Meter Repalcement Project Fund	Comp Street Improvement Fund	1,000,000
	ARPA Project Fund	1,000,000
ARPA Project Fund	Public Utility Fund	6,107,267
Public Utility Fund	General Fund	50,000
	Other Governmental Funds	50,000
	Other Propreetary Funds	800,000
Other Proprietary Funds	Public Utility Fund	301,595
Total		<u>\$ 15,971,662</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, 2025**

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

Receivable Fund	Payable Fund	Amount
General Fund	Police & Fire Retirement Trust Fund	\$ 9,535
Public Utility Fund	General Fund	332,577
Police & Fire Retirement Trust Fund	Bond and Interest Retirement Fund	<u>110,069</u>
		<u>\$ 452,181</u>

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

Note 5 – Capital Assets

Capital asset activity in the governmental funds for the year ended September 30, 2025, was as follows:

	Balance 10/1/2024	Additions	Retirements	Completed Construction	Balance 9/30/2025
<u>Non-depreciable capital assets:</u>					
Land	\$ 887,520	\$ -	\$ -	\$ -	\$ 887,520
Construction in progress	2,540,940	2,697,861	-	(3,762,952)	1,475,849
Total non-depreciable capital assets	<u>3,428,460</u>	<u>2,697,861</u>	<u>-</u>	<u>(3,762,952)</u>	<u>2,363,369</u>
<u>Depreciable capital assets:</u>					
Buildings and Infrastructure	118,845,904	674,056	(101,352)	3,762,952	123,181,560
Furniture and mobile equipment	11,719,863	356,374	(700,754)	-	11,375,483
Total depreciable capital assets	<u>130,565,767</u>	<u>1,030,430</u>	<u>(802,106)</u>	<u>3,762,952</u>	<u>134,557,043</u>
<u>Less accumulated depreciation for:</u>					
Buildings and Infrastructure	39,688,147	3,438,273	-	-	43,126,420
Furniture and mobile equipment	8,120,275	739,593	(613,350)	-	8,246,518
Total accumulated depreciation	<u>47,808,422</u>	<u>4,177,866</u>	<u>(613,350)</u>	<u>-</u>	<u>51,372,938</u>
Total depreciable capital assets, net	<u>82,757,345</u>	<u>(3,147,436)</u>	<u>(188,756)</u>	<u>3,762,952</u>	<u>83,184,105</u>
Governmental activities capital assets, net	<u>\$ 83,831,786</u>	<u>\$ (449,575)</u>	<u>\$ (188,756)</u>	<u>\$ -</u>	<u>\$ 85,547,474</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 5 – Capital Assets (Cont.)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 2,025,234
Public Safety	528,405
Public Works	851,875
Health and Welfare	27,000
Culture and Recreation	745,352
	<u>\$ 4,177,866</u>

Capital asset activity in the proprietary funds for the year ended September 30, 2025 was as follows:

	<u>Balance</u> <u>10/1/2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>9/30/2025</u>
<u>Non-depreciable capital assets:</u>					
Construction in progress	\$ 5,521,476	\$ 4,003,760	\$ -	\$ (6,233,972)	\$ 3,291,264
<u>Depreciable capital assets:</u>					
Buildings and Infrastructure	91,587,650	-	-	6,233,972	97,821,622
Furniture and mobile equipment	7,325,848	810,591	(13,044)	-	8,123,395
Total depreciable capital assets	<u>98,913,498</u>	<u>810,591</u>	<u>(13,044)</u>	<u>6,233,972</u>	<u>105,945,017</u>
<u>Less accumulated depreciation for:</u>					
Buildings and Infrastructure	67,174,070	1,957,895	-	-	69,131,965
Furniture and mobile equipment	4,274,899	545,001	(11,737)	-	4,808,163
Total accumulated depreciation	<u>71,448,969</u>	<u>2,502,896</u>	<u>(11,737)</u>	<u>-</u>	<u>73,940,128</u>
Total depreciable capital assets, net	<u>27,464,529</u>	<u>(1,692,305)</u>	<u>(1,307)</u>	<u>6,233,972</u>	<u>32,004,889</u>
Proprietary activities capital assets, net	<u>\$ 32,986,005</u>	<u>\$ 2,311,455</u>	<u>\$ (1,307)</u>	<u>\$ -</u>	<u>\$ 35,296,153</u>

Depreciation expense charged to the Public Utility and Solid Waste Funds amounted to \$2,502,896 for the year ended September 30, 2025.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 5 – Capital Assets (Cont.)

Commitments under construction contracts at September 30, 2025 are summarized as follows:

<u>Projects Under Contract</u>	<u>Amount Spent to Date</u>	<u>Remianing Commitment</u>
<u>Governmental</u>		
Central Ave. Roundabout II	\$ 253,258	\$ 2,463,228
<u>Proprietary</u>		
Joe Wheeler Avenue	<u>\$ 3,276,133</u>	<u>\$ 1,968,119</u>
Total	<u>\$ 3,529,391</u>	<u>\$ 4,431,347</u>

The commitments represent the portion of construction contract costs not yet incurred as of September 30, 2025. These projects are being financed through grants. Management has evaluated the ability of the City to meet these commitments and believes that adequate resources are available to fulfill all outstanding obligations under these contracts.

Note 6 – Long-term Liabilities

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

<u>Debt Type</u>	<u>Balance 10-1-2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9-30-2025</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 21,002,000	\$ -	\$ 1,761,000	\$ 19,241,000	\$ 2,091,000
Notes from Direct Borrowings	3,221,750	-	666,729	2,555,021	689,288
Financed Purchases	557,380	-	95,249	462,131	97,886
Compensated Absences	1,536,250	259,058	-	1,795,308	178,344
Total	<u>\$ 26,317,380</u>	<u>\$ 259,058</u>	<u>\$ 2,522,978</u>	<u>\$ 24,053,460</u>	<u>\$ 3,056,518</u>

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

<u>Debt Type</u>	<u>Balance 10-1-2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9-30-2025</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 5,300,000	\$ -	\$ 435,000	\$ 4,865,000	\$ 455,000
Revenue Bonds	8,841,000	-	572,000	8,269,000	590,000
Notes from Direct Borrowings	7,674,624	-	979,074	6,695,550	779,738
Financed Purchases	35,250	420,000	35,250	420,000	76,650
Total	<u>\$ 21,850,874</u>	<u>\$ 420,000</u>	<u>\$ 2,021,324</u>	<u>\$ 20,249,550</u>	<u>\$ 1,901,388</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 6 – Long-term Liabilities (Cont.)

The annual requirements to amortize bond, note principal, and capital leases outstanding for all funds as of September 30, 2025, are as follows:

Year Ended September 30	GO/Revenue Bonds	Interest	Notes Payable	Interest	Financed Purchases	Interest
2026	\$ 3,136,000	\$ 900,759	\$ 1,469,026	\$ 184,784	\$ 174,536	\$ 32,367
2027	3,153,000	811,287	1,359,702	149,791	131,364	26,633
2028	3,231,000	720,133	1,323,580	117,926	132,040	21,478
2029	3,296,000	648,112	851,626	91,662	137,400	16,118
2030	3,272,000	535,619	867,561	63,955	142,984	10,533
Thereafter	16,287,000	2,433,820	3,379,076	125,734	163,807	9,089
	<u>\$ 32,375,000</u>	<u>\$ 6,049,730</u>	<u>\$ 9,250,571</u>	<u>\$ 733,852</u>	<u>\$ 882,131</u>	<u>\$ 116,218</u>

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:

Purpose	Interest Rates	Amounts Outstanding
General government	1.0 - 5.25%	\$ 19,241,000
Proprietary	1.0-3.0%	4,865,000
Total General Obligation Bonds		<u>\$ 24,106,000</u>

Year Ended September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 2,091,000	\$ 564,816	\$ 455,000	\$ 173,921
2027	1,936,000	504,814	610,000	155,634
2028	1,962,000	445,984	635,000	134,869
2029	1,985,000	386,480	660,000	133,348
2030	1,909,000	327,781	690,000	90,851
Thereafter	9,358,000	1,746,913	1,815,000	164,879
	<u>\$ 19,241,000</u>	<u>\$ 3,976,788</u>	<u>\$ 4,865,000</u>	<u>\$ 853,502</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, 2025**

Note 6 – Long-term Liabilities (Cont.)

B. Revenue Bonds

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

Purpose	Interest Rates	Amounts Outstanding
Proprietary	1.0-3.0%	\$ 8,269,000
Total Revenue Bonds		\$ 8,269,000

Year Ended September 30	Business-Type Activities	
	Principal	Interest
2026	\$ 590,000	\$ 162,022
2027	607,000	150,839
2028	634,000	139,280
2029	651,000	128,284
2030	673,000	116,987
Thereafter	5,114,000	522,028
	\$ 8,269,000	\$ 1,219,440

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, 2025**

Note 6 – Long-term Liabilities (Cont.)

C. Notes from Direct Borrowings in Governmental Funds

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

	CAP Loan	CAP Loan	CAP Loan	CAP Loan	CAP Loan
Date of Note	9/30/2008	9/30/2008	9/30/2011	6/1/2017	6/1/2024
Original Amount	\$ 2,000,000	\$ 3,000,000	\$ 972,675	\$ 120,000	\$ 500,000
Unpaid Principal	\$ 378,319	\$ 567,003	\$ 365,952	\$ 78,363	\$ 475,461
Interest Rate	3.00%	3.00%	3.00%	3.00%	3.00%
	Consolidated	SMPDD	SMPDD	Jones County Public Safety Communication Equipment	
	Loan				
Date of Note	6/1/2009	3/9/2016	3/1/2017	10/1/2015	
Original Amount	\$ 2,790,000	\$ 175,000	\$ 185,000	\$ 923,986	
Unpaid Principal	\$ 505,000	\$ 18,130	\$ 32,706	\$ 134,087	
Interest Rate	3.50%	3.25%	3.50%	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 governmental funds as of September 30, 2025, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 689,288	\$ 69,448	\$ 758,736
2027	614,139	48,220	662,359
2028	567,132	30,103	597,235
2029	81,286	17,731	99,017
2030	83,073	4,172	87,245
Thereafter	520,103	6,142	526,245
Total	<u>\$ 2,555,021</u>	<u>\$ 175,816</u>	<u>\$ 2,730,837</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 6 – Long-term Liabilities (Cont.)

D. Notes from Direct Borrowings in Proprietary Fund

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

	State of Mississippi				
Date of Note	5/1/2004	7/1/2011	5/1/2012	11/1/2013	11/15/2015
Original Amount	\$ 4,309,018	\$ 870,373	\$ 4,036,493	\$ 4,958,126	\$ 3,916,079
Unpaid Principal	\$ 43,092	\$ 280,493	\$ 1,454,188	\$ 2,847,400	\$ 2,060,476
Monthly Installment	\$ 21,594	\$ 4,551	\$ 20,228	\$ 24,935	\$ 20,642
Interest Rate	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 \$11,022,713 for the current year and made principal and interest payments on the notes payable to the state totaling \$979,074 during the current year. As of September 30, 2025, the future principal and interest requirements for the notes payable totaled \$6,695,550 and the maturity dates of the note payables extend through September 30, 2036.

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

	Jones County Public Safety Communication Equipment
Date of Note	10/1/2015
Original Amount	\$ 68,226
Unpaid Principal	\$ 9,901
Yearly Installment	\$ 13,388
Interest Rate	3.87%

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 6 – Long-term Liabilities (Cont.)

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2025, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 779,738	\$ 115,336	\$ 895,074
2027	745,563	101,571	847,134
2028	756,448	87,823	844,271
2029	770,340	73,931	844,271
2030	784,488	59,783	844,271
Thereafter	2,858,973	119,592	2,978,565
Total	\$ 6,695,550	\$ 558,036	\$ 7,253,586

E. Financed Purchases - Governmental

Debt current outstanding in the Governmental Funds is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2016 Saber Chassis Fire Truck	2.41%	9/30/2021	10/18/2026	\$ 251,232	\$ 57,051
Ferrara Fire Apparatus/Chassis	3.13%	8/22/2018	8/23/2033	685,704	405,080
Total				\$ 936,936	\$ 462,131

The annual requirements of the financed purchases outstanding for the governmental funds as of September 30, 2025, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 97,886	\$ 13,131	\$ 111,017
2027	51,204	10,908	62,112
2028	48,208	9,424	57,632
2029	49,729	7,903	57,632
2030	51,297	6,334	57,631
Thereafter	163,807	9,089	172,896
Total	\$ 462,131	\$ 56,789	\$ 518,920

The City's outstanding debt from financed purchases 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.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 6 – Long-term Liabilities (Cont.)

The assets recorded under capital leases as of September 30, 2025 were as follows:

	Governmental Activities
Machinery and equipment	\$ 1,178,638
Less: accumulated depreciation	(848,950)
Total	\$ 329,688

F. Financed Purchases - Proprietary Activities

Debt current outstanding in the Proprietary Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Garbage Trucks	4.58%	2/5/2025	2/5/2030	\$ 420,000	\$ 420,000
Total				\$ 420,000	\$ 420,000

The annual requirements of the financed purchases outstanding for the proprietary funds as of September 30, 2025, are as follows:

Year Ended September 30	Principal	Interest	Total
2026	\$ 76,650	\$ 19,236	\$ 95,886
2027	80,160	15,725	95,885
2028	83,832	12,054	95,886
2029	87,671	8,215	95,886
2030	91,687	4,199	95,886
Total	\$ 420,000	\$ 59,429	\$ 479,429

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

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 6 – Long-term Liabilities (Cont.)

The assets recorded under financed purchases as of September 30, 2025 were as follows:

	<u>Proprietary Activities</u>
Machinery and equipment	\$ 420,000
Less: accumulated depreciation	<u>(25,200)</u>
Total	<u><u>\$ 394,800</u></u>

Note 7 – Leases

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

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

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

As Lessee:

Governmental Activities:

The intangible right to use equipment at September 30, 2025 is as follows:

Asset Class	As of Fiscal Year-end		
	Lease Asset Value	Accumulated Amortization	Balance
Equipment	\$ 10,216	\$ 7,447	\$ 2,769
Computer Equipment	191,772	171,796	19,976
Total Leases	<u>201,988</u>	<u>179,243</u>	<u>\$ 22,745</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 7 – Leases (Cont.)

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

	<u>Term</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Annual Payment</u>	<u>Amount Outstanding</u>
Computers	48 months	March 1, 2022	February 28, 2026	\$ 48,342	\$ -
Equipment	36-60 months	Various	Various	76,493	2,755
					<u>\$ 2,755</u>

The following is a schedule by years of the total payments dues as of September 30, 2025:

<u>Year Ending September 30</u>	<u>Principal</u>
2026	\$ 2,064
2027	691
	<u>\$ 2,755</u>

Proprietary Activities:

The intangible right to use equipment at September 30, 2025 is as follows:

Asset Class	As of Fiscal Year-end		
	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Land	\$ 41,313	\$ 25,303	\$ 16,010
Total Leases	<u>\$ 41,313</u>	<u>\$ 25,303</u>	<u>\$ 16,010</u>

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

	<u>Term</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Annual Payment</u>	<u>Amount Outstanding</u>
Land	Various	Various	Various	\$ 6,580	<u>\$ 15,804</u>

The following is a schedule by years of the total payments dues as of September 30, 2025.

<u>Year Ending September 30</u>	<u>Principal</u>
2026	\$ 6,439
2027	887
2028	897
2029	908
2030	919
2031-2035	4,766
2036-2037	988
	<u>\$ 15,804</u>

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

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 (MRS) which covers certain retired police and firemen. For fiscal year 2025, the City collected 2.6 mills of tax to fund their portion of the plan. The City's contribution to MMRS for the fiscal years ended September 30, 2025, 2024, and 2023 were \$660,516, \$587,276, and \$516,454 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, 2025, 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, 2025, was 18.40% 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, 2025, 2024 and 2023 were \$1,912,616, \$1,688,807, and \$1,605,598, 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, 2025, the City reported a liability of \$35,794,815 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025, the City's proportion was .135801 percent.

For the year ended September 30, 2025, the City recognized pension recovery of \$761,598.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 8 – Defined Benefit Pension Plan (Cont.)

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	PERS	MRS	Total
	Governmental Activities	Governmental Activities	
Difference between expected and actual experience	\$ 1,574,319	\$ -	\$ 1,574,319
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in assumptions	1,398,496	-	1,398,496
Changes in proportion and difference between contributions	2,372,829	-	2,372,829
City's contributions subsequent to the measurement date	476,088	14,186	490,274
Total	\$ 5,821,732	\$ 14,186	\$ 5,835,918

	Deferred Inflows of Resources		
	PERS	MRS	Total
	Governmental Activities	Governmental Activities	
Net difference between projected and actual earnings on pension plan investments	\$ 2,402,606	\$ 81,058	\$ 2,483,664
Changes in assumptions	466,653	-	466,653
Changes in proportion and difference between contributions	614,820	-	614,820
Total	\$ 3,484,079	\$ 81,058	\$ 3,565,137

\$490,274 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, 2025.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 8 – Defined Benefit Pension Plan (Cont.)

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

Year ended September 30:

	PERS	MRS	Total
2026	\$ 1,187,954	\$ 102,147	\$ 1,290,101
2027	834,887	(69,632)	765,255
2028	214,996	(72,023)	142,973
2029	<u>(376,272)</u>	<u>(41,550)</u>	<u>(417,822)</u>
Total	<u>\$ 1,861,565</u>	<u>\$ (81,058)</u>	<u>\$ 1,780,507</u>

Actuarial assumptions. The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS-2010(B) Retiree Table with the following adjustments: For males, 107% of all rates. For females, 97% of female rates up to age 82, 100% for ages 83 to 87 and 110% for ages above 87. Mortality rates for disability retirees were based on the PubG-2010 Disabled Table set forward 1 year and adjusted 134% for males and set forward 2 years and adjusted 125% for females. Mortality rates for Contingent Annuitants were based on the PubS-2010(B) Contingent Annuitant Table, set forward 3 years for males and set forward 2 years for females. Mortality rates will be projected generationally using the MP-2021 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the period July 1, 2020 to June 30, 2024. The experience report is dated April 16, 2025.

The long-term expected rate of return on pension plan investments was determined using a lognormal 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, 2025**

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	27.00%	4.75%
International Equity	20.00	4.75
Global Equity	12.00	4.95
Fixed Income	20.00	2.25
Real Estate	10.00	3.75
Private Equity	10.00	6.00
Cash Equivalents	<u>1.00</u>	0.50
Total	100.00%	

* Net of Inflation

Discount Rate - The discount rate used to measure the total pension liability was 7.00 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 percent) and that employer contributions will be phased in to 19.90 percent over five fiscal years (17.90 percent for FYE 2025, 18.40 percent for FYE 2026, 18.90 percent for FYE 2027, 19.40 percent for FYE 2028, 19.90 percent for FYE 2029 and beyond). 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 table presents the City's net pension liability of the cost-sharing plan, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate (amounts in thousands):

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability - PERS	\$ 44,823,620	\$ 34,470,324	\$ 25,965,508
City's proportionate share of the net pension liability – MRS	\$ 1,785,255	\$ 1,324,491	\$ 921,260

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, 2025**

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. The City has experienced no loss under such provisions and cannot reasonably estimate the amount or possibility of losses under these programs.

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.

The City receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of September 30, 2025, the City is unable to estimate what liabilities may result from such audits.

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, 2025**

Note 10 – Legal Debt Limit

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2025.

	<u>15 Percent</u>	<u>20 Percent</u>
Authorized Debt Limit:		
Assessed valuation for fiscal year end September 30, 2024 (\$260,492,333)	\$ 39,073,850	\$ 52,098,467
Present debt subject to debt limits	<u>(19,241,000)</u>	<u>(26,356,550)</u>
Margin for further indebtedness	<u>\$ 19,832,850</u>	<u>\$ 25,741,917</u>

Limitation of Indebtedness

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

Note 11 – Employment Security Fund

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

Note 12 – Municipal Compliance Questionnaire

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

CITY OF LAUREL, MISSISSIPPI

Notes to Financial Statements Year Ended September 30, 2025

Note 13 – Joint Ventures

The City participates in the following joint ventures:

The City of Laurel, Mississippi is a participant with Jones County and the Cities of Ellisville and Sandersville in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Laurel – Jones County Library. The joint venture was created to provide free public library service to all the people of Jones County and is governed by a twelve-member board. Five members are appointed by the city, five members are appointed by the county and one member is appointed by each of the cities of Ellisville and Sandersville. By contractual agreement the City's appropriation to the joint venture amounted to \$135,000. Complete financial statements for the Laurel – Jones County Library can be obtained from the Laurel – Jones County Library, 530 Commerce Street, Laurel, MS, 39440.

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

The City of Laurel, Mississippi is a participant with Jones County and the Cities of Ellisville, Soso, and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a board of trustees composed of twelve members appointed as follows: Jones County Board of Supervisors, six; City of Laurel, three; City of Ellisville, three. The City's appropriation from the General Fund to the joint venture amounts to \$65,000. Complete financial statements for the Jones County Economic Development Authority can be obtained from the Jones County Economic Development Authority, P.O. Box 527, Laurel, MS 39441-0527.

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

The City of Laurel, Mississippi entered into an interlocal agreement with Jones County, Mississippi and the City of Ellisville, Mississippi to operate the Jones County Emergency Operations Center which operates the 911 system and coordinates other civil defense matters. The board consists of the Mayor, Police Chief, and Council President from the City of Laurel, Mississippi, four officials from Jones County, Mississippi and the Mayor of Ellisville, Mississippi. The City of Laurel, Mississippi appropriated \$300,000 to the joint venture in 2025. The financial statements of the Jones County Emergency Operations Center are included in the Jones County financial statements.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 14 – 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 2025 and 2024, the city shared \$380,071 and \$371,779, respectively with this organization from tourism tax receipts.

Note 15 – 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, 2025, the City abated property taxes totaling \$1,911,711 under this program for four separate manufacturing enterprises.

Note 16 – Deficit Fund Balances

The City had the following deficit fund balances at September 30, 2025. The deficits will be financed through future revenues or transfers.

	<u>Fund Balance</u>
2019 Drainage Bond Fund	\$ (125,171)
Central Ave Tree Grant Fund	(321)
G/O Bond Series 2024	<u>(1,844,008)</u>
	<u>\$ (1,969,500)</u>

Note 17 – Adjustments and Restatements of Beginning Balances

Change in Accounting Principle

During fiscal year 2025, the city implemented GASB 101, Compensated Absences, which resulted in an adjustment to beginning governmental net position in the Government-Wide financial statements which resulting in a decrease to net position of \$1,210,656.

Error Corrections

An error correction of \$2,514,543 was made to correct beginning fund balance in the ARPA project fund to recognize unearned revenue. In addition, an error correction of \$2,514,543 was made to the business-type activities on the Government-Wide statements to increase the net position to recognize unearned revenue.

CITY OF LAUREL, MISSISSIPPI

**Notes to Financial Statements
Year Ended September 30, 2025**

Note 18 – Sales Tax Pledged for Debt and Related Risk

The government has pledged a portion of its 61% sales and use tax revenues as security for series of notes owed to the State of Mississippi under the Water Pollution Abatement Loan Programs. Sales tax revenues are first applied to pay required debt service on these notes before being available for other purposes. At September 30, 2025, the outstanding principal on these notes totaled \$6,685,650. During the year ended September 30, 2025, sales tax revenues totaled \$11,029,451, of which \$1,103,394 (approximately 10%) was used to pay principal and interest on the pledged bonds.

Sales tax represents approximately 29% of the government's total governmental activities revenues. Because a significant portion of this sales tax is legally pledged for debt service and is therefore not available for general operations, this represents both a concentration in a single revenue source and a constraint on that revenue. A material decline in taxable sales within the government's jurisdiction (for example, due to an economic downturn or a change in consumer spending patterns) could adversely affect the government's ability to meet debt service requirements and could be substantial enough to disrupt normal operations. These risks are disclosed in accordance with GASB Statement No. 102, Certain Risk Disclosures, which requires disclosure of concentrations and constraints that could potentially disrupt a government's ability to continue to provide services at current levels.

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. The City has ongoing expenditures for capital projects funds. Management of the City of Laurel, Mississippi evaluated the activity of the city through March 21, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUREL, MISSISSIPPI
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2025

Schedule 1a

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Positive (Negative)	
				Original to Final	Final to Actual
REVENUES					
General property taxes	\$ 5,643,720	\$ 5,624,720	\$ 5,525,443	\$ (19,000)	\$ (99,277)
Homestead exemption	65,000	65,000	148,827	-	83,827
Licenses and permits	511,600	511,600	377,950	-	(133,650)
Franchise taxes on utilities	1,970,000	1,970,000	1,927,723	-	(42,277)
Gas & oil severance tax	-	12,500	11,777	12,500	(723)
State shared revenues	-	105,395	184,235	105,395	78,840
Federal grants	-	373,962	236,809	373,962	(137,153)
General sales taxes	11,409,316	11,212,000	10,984,096	(197,316)	(227,904)
Charges for services	101,500	124,100	160,951	22,600	36,851
Fines and forfeitures	530,000	530,000	507,567	-	(22,433)
Interest	65,000	65,000	135,968	-	70,968
Rents	126,500	126,500	113,147	-	(13,353)
Other revenues	16,600	17,419	15,857	819	(1,562)
Total revenues	<u>20,439,236</u>	<u>20,738,196</u>	<u>20,330,350</u>	<u>298,960</u>	<u>(407,846)</u>
EXPENDITURES					
General government	4,834,484	5,403,657	5,079,648	(569,173)	324,009
Public safety	11,586,901	12,270,754	11,544,741	(683,853)	726,013
Public works	2,856,930	2,531,354	2,401,540	325,576	129,814
Health & welfare	-	469,582	453,425	(469,582)	16,157
Economic Development	833,180	863,750	838,381	(30,570)	25,369
Capital outlay	-	-	-	-	-
Debt service	21,953	-	123,900	21,953	(123,900)
Total expenditures	<u>20,133,448</u>	<u>21,539,097</u>	<u>20,441,635</u>	<u>(1,405,649)</u>	<u>1,097,462</u>
Excess (deficiency) of revenues over expenditures	<u>305,788</u>	<u>(800,901)</u>	<u>(111,285)</u>	<u>(1,106,689)</u>	<u>(1,505,308)</u>
OTHER FINANCING SOURCES (USES)					
Unrealized gain (loss) on investments	-	-	4,230	-	4,230
Legal settlements	-	86,730	87,405	86,730	675
Sale of property	-	36,215	36,215	36,215	-
Operating transfers in	50,000	50,000	50,000	-	-
Operating transfers out	(223,000)	(1,623,944)	(1,623,944)	(1,400,944)	-
Total other financing sources (uses)	<u>(173,000)</u>	<u>(1,450,999)</u>	<u>(1,446,094)</u>	<u>(1,277,999)</u>	<u>4,905</u>
	<u>132,788</u>	<u>(2,251,900)</u>	<u>(1,557,379)</u>	<u>(2,384,688)</u>	<u>(1,500,403)</u>
Adjustment to GAAP Basis					
Revenue Accruals			1,815,710		
Expenditure Accruals			(1,786,976)		
Net change in fund balance- GAAP Basis			(1,528,645)		
Fund balances - beginning			<u>8,683,103</u>		
Fund balances - ending			<u>\$ 7,154,458</u>		

The accompanying notes are an integral part of these financial statements.

CITY OF LAUREL, MISSISSIPPI
Budgetary Comparison Schedule
Recreation Fund
Year Ended September 30, 2025

Schedule 1b

	Original Budget	Final Budget	Actual Budgetary Basis	Variances	
				Original to Final	Final to Actual
REVENUES					
General property taxes	\$ 1,305,928	\$ 1,305,928	\$ 1,212,094	\$ -	\$ (93,834)
Homestead exemption	-	-	30,949	-	30,949
Charges for services	455,000	455,000	488,223	-	33,223
Other revenues	-	65	65	(65)	-
Total revenues	<u>1,760,928</u>	<u>1,760,993</u>	<u>1,731,331</u>	<u>(65)</u>	<u>(29,662)</u>
EXPENDITURES					
General government	67,000	67,400	67,348	(400)	52
Culture & recreation	2,813,458	2,990,076	2,971,265	(176,618)	18,811
Debt service	5,692	7,986	7,986	(2,294)	-
Total expenditures	<u>2,886,150</u>	<u>3,065,462</u>	<u>3,046,599</u>	<u>(179,312)</u>	<u>18,863</u>
Excess (deficiency) of revenues over expenditures	<u>(1,125,222)</u>	<u>(1,304,469)</u>	<u>(1,315,268)</u>	<u>179,247</u>	<u>(10,799)</u>
OTHER FINANCING SOURCES (USES)					
Legal Settlements/Ins Proceeds	-	11,709	12,408	(11,709)	699
Sale of property	-	17,287	17,287	(17,287)	-
Operating transfers in	1,450,000	1,477,000	1,477,000	(27,000)	-
Operating transfers out	(50,000)	(80,000)	(80,000)	30,000	-
Total other financing sources (uses)	<u>1,400,000</u>	<u>1,425,996</u>	<u>1,426,695</u>	<u>(25,996)</u>	<u>699</u>
	<u>274,778</u>	<u>121,527</u>	<u>111,427</u>	<u>153,251</u>	<u>(10,100)</u>
Adjustment to GAAP Basis					
Revenue Accruals			1,793		
Expenditure Accruals			(1,474)		
Net change in fund balance- GAAP Basis			111,746		
Fund balances - beginning			<u>186,476</u>		
Fund balances - ending			<u>\$ 298,222</u>		

The accompanying notes are an integral part of these financial statements.

City of Laurel, Mississippi

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

PERS

Last 10 Fiscal Years*

		<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	%	0.135801	0.124022	0.128639	0.133157	0.141791	0.142098	0.143713	0.142302	0.143466	0.14393
City's proportionate share of the net pension liability	\$	34,470,324	32,205,321	32,354,407	27,408,556	20,957,329	27,508,522	25,281,952	23,669,050	23,848,918	25,709,492
City's covered payroll		11,044,927	9,648,098	9,227,572	9,038,358	9,456,798	9,390,156	9,509,653	9,432,610	9,181,473	9,165,454
City's proportionate share of the net pension liability as a percentage of its covered payroll		341.06%	333.80%	350.63%	303.25%	221.61%	292.95%	265.86%	250.93%	259.75%	280.50%
Plan fiduciary net position as a percentage of the total pension liability		58.38%	56.30%	55.70%	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%

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

The accompanying notes are an integral part of these financial statements.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$1,989,947	\$1,688,807	\$1,605,598	\$1,572,674	\$1,645,483	\$1,633,887	\$1,539,056	\$1,430,801	\$1,446,082	\$1,443,559
Contributions in relation to the contractually required contribution	<u>\$1,989,947</u>	<u>\$1,688,807</u>	<u>\$1,605,598</u>	<u>\$1,572,674</u>	<u>\$1,645,483</u>	<u>\$1,633,887</u>	<u>\$1,539,056</u>	<u>\$1,430,801</u>	<u>\$1,446,082</u>	<u>\$1,443,559</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	11,044,927	9,648,098	9,227,572	9,038,358	9,456,798	9,390,156	9,512,505	9,084,451	9,181,473	9,165,454
	18.02%	17.50%	17.40%	17.40%	17.40%	17.40%	16.18%	15.75%	15.75%	15.75%

The accompanying notes are an integral part of these financial statements.

City of Laurel, Mississippi
Schedule of Changes in Net Position Liability
MRS
Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability										
Interest	\$ 463,809	\$ 528,783	\$ 569,135	\$ 590,733	\$ 659,368	\$ 690,152	\$ 725,639	\$ 771,868	\$ 788,851	\$ 855,096
Differences between expected and actual experience	(76,901)	(643,119)	14,770	25,199	(330,548)	(114,144)	(155,468)	(331,660)	25,729	21,309
Changes of assumptions	(109,906)	-	295,588	-	(77,909)	-	(21,750)	-	35,157	324,098
Benefit payments	(789,572)	(838,164)	(889,158)	(914,830)	(954,385)	(992,061)	(1,020,571)	(1,052,849)	(1,084,891)	(1,152,454)
Net change in total pension liability	<u>(512,570)</u>	<u>(952,500)</u>	<u>(9,665)</u>	<u>(298,898)</u>	<u>(703,474)</u>	<u>(416,053)</u>	<u>(472,150)</u>	<u>(612,641)</u>	<u>(235,154)</u>	<u>48,049</u>
Total pension liability - beginning	<u>7,020,628</u>	<u>7,973,128</u>	<u>7,982,793</u>	<u>8,281,691</u>	<u>8,985,165</u>	<u>9,401,218</u>	<u>9,873,368</u>	<u>10,486,009</u>	<u>10,721,163</u>	<u>11,264,922</u>
Total pension liability - ending (a)	<u>\$6,508,058</u>	<u>\$7,020,628</u>	<u>\$7,973,128</u>	<u>\$7,982,793</u>	<u>\$8,281,691</u>	<u>\$8,985,165</u>	<u>\$9,401,218</u>	<u>\$9,873,368</u>	<u>\$10,486,009</u>	<u>\$11,312,971</u>
Plan fiduciary net position										
Contributions- employer*	\$ 643,475	\$ 561,961	\$ 516,454	\$ 558,315	\$ 866,465	\$ 814,708	\$ 787,708	\$ 764,620	\$ 597,342	\$ 1,068,848
Contributions- member	-	-	-	-	-	-	-	-	-	-
Net investment income	538,474	466,079	327,025	(457,042)	1,370,941	129,814	297,095	332,664	549,865	136,278
Benefit payments	(789,572)	(838,164)	(889,158)	(914,830)	(954,385)	(992,061)	(1,020,571)	(1,052,849)	(1,084,891)	(1,152,454)
Administrative expense	(12,869)	(11,239)	(10,329)	(11,166)	(17,329)	(16,294)	(15,754)	(15,292)	(11,947)	(21,377)
Other	-	-	-	-	-	-	1,055	(389)	(8,105)	-
Net change in plan fiduciary net position	<u>379,508</u>	<u>178,637</u>	<u>(56,008)</u>	<u>(824,723)</u>	<u>1,265,692</u>	<u>(63,833)</u>	<u>49,533</u>	<u>28,754</u>	<u>42,264</u>	<u>31,295</u>
Plan net position - beginning	<u>4,804,059</u>	<u>4,625,422</u>	<u>4,681,430</u>	<u>5,506,153</u>	<u>4,240,461</u>	<u>4,304,294</u>	<u>4,254,761</u>	<u>4,226,007</u>	<u>4,183,743</u>	<u>4,233,321</u>
Plan net position - ending (b)	<u>\$5,183,567</u>	<u>\$4,804,059</u>	<u>\$4,625,422</u>	<u>\$4,681,430</u>	<u>\$5,506,153</u>	<u>\$4,240,461</u>	<u>\$4,304,294</u>	<u>\$4,254,761</u>	<u>\$4,226,007</u>	<u>\$4,264,616</u>
Net pension liability (asset) - ending (a) - (b)	\$ 1,324,491	\$ 2,216,569	\$ 3,347,706	\$ 3,301,363	\$ 2,775,538	\$ 4,744,704	\$ 5,096,924	\$ 5,618,607	\$ 6,260,002	\$ 7,048,355
Plan fiduciary net position as a percentage of the total pension liability	79.65%	68.43%	58.01%	58.64%	66.49%	47.19%	45.78%	43.09%	40.30%	37.70%
Covered payroll**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Includes administrative expenses.

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

The accompanying notes are an integral part of these financial statements.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined employer contribution (ADEC)*	\$ 345,637	\$ 351,604	\$ 303,775	\$ 506,127	\$ 458,488	\$ 487,729	\$ 581,067	\$ 591,466	\$ 506,267	\$ 874,018
Contributions in relation to the contractually required contribution **	<u>630,605</u>	<u>550,722</u>	<u>506,125</u>	<u>547,149</u>	<u>866,465</u>	<u>814,708</u>	<u>787,708</u>	<u>764,620</u>	<u>597,342</u>	<u>994,419</u>
Contribution deficiency (excess)	<u>\$ (284,968)</u>	<u>\$ (199,118)</u>	<u>\$ (202,350)</u>	<u>\$ (41,022)</u>	<u>\$ (407,977)</u>	<u>\$ (326,979)</u>	<u>\$ (206,641)</u>	<u>\$ (173,154)</u>	<u>\$ (91,075)</u>	<u>\$ (120,401)</u>
Covered payroll ***	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll***	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

**Net of administrative expenses.

***Payroll-related information not provided because plan is closed to new entrants and there are no remaining active members

The accompanying notes are an integral part of these financial statements.

CITY OF LAUREL, MISSISSIPPI

Notes to Required Supplementary Information Year Ended September 30, 2025

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 supplementary 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

- 2025

- Mortality, withdrawal, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The assumed load for administrative expenses was decreased from 0.26% to 0.25% of payroll.

- 2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

- 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.

CITY OF LAUREL, MISSISSIPPI

Notes to Required Supplementary Information Year Ended September 30, 2025

- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.
- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- 2018
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF LAUREL, MISSISSIPPI

Notes to Required Supplementary Information
Year Ended September 30, 2025

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022.
 - 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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2022 valuation for the June 30, 2024 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

CITY OF LAUREL, MISSISSIPPI

**Notes to Required Supplementary Information
Year Ended September 30, 2025**

Notes to the supplemental 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, 2025 were based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value of assets
Inflation	2.40%
Salary increases	N/A
Investment rate of return	5.50%, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

CITY OF LAUREL, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

<i>Award Information</i>	<i>AL/other #</i>	<i>Pass-Through Entity Name</i>	<i>Pass-Through Entity #</i>	<i>Federal Expenditures (\$)</i>
Department of Transportation				
State and Community Highway Safety	20.600	MS Department of Public Safety	PT-2025-PT-23-71	74,358
<i>Total Department of Transportation</i>				<u>74,358</u>
United States Department of Agriculture				
Rural Housing Preservation Grants	10.433			71,177
<i>Total United States Department of Agriculture</i>				<u>71,177</u>
Department of Housing and Urban Development				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	MS Development Authority	1138-22-228-PF-01	692,830
<i>Total Department of Housing and Urban Development</i>				<u>692,830</u>
United States Department of Justice				
Violence Against Women Formula Grants	16.588	MS Department of Health	15JOVW-23-GG-00584	45,775
Bulletproof Vest Partnership Program	16.607	MS Department of Public Safety	15PBJA-21-GG-01623-JAGX	5,750
Edward Byrne Memorial Justice Assistance Grant Program	16.738	MS Department of Public Safety	15PBJA-21-GG-01623-JAGX	18,369
<i>Total United States Department of Justice</i>				<u>69,894</u>
Department of Transportation				
Highway Planning and Construction	20.205	MS Department of Transportation	STP-408-00(001) LPA	982,681
Recreational Trails Program	20.219	MS Department of Wildlife Fisheries & Parks	#22-RTP-363	108,637
Alcohol Open Container Requirements	20.607	MS Department of Public Safety	154AL-2025-ST-23-71	75,325
<i>Total Department of Transportation</i>				<u>1,166,643</u>
Department of the Treasury				
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027			1,590,273
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	MS Department of Environmental Quality	222-2-CW-5.5	722,735
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	MS Department of Environmental Quality	42-2-CW-5.5	170,961
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	MS Department of Environmental Quality	164-2-CW-5.5	696,576
<i>Total Department of the Treasury</i>				<u>3,180,545</u>
Corporation for National and Community Service				
AmeriCorps State and National	94.006	MS Commission for Volunteer Service	22AFGMS001 - 24AC264731	174,689
<i>Total Corporation for National and Community Service</i>				<u>174,689</u>
Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Management Assistance	FEMA-4727-DR-MS-067-39640-00	505,209
Assistance to Firefighters Grant	97.044			29,416
Homeland Security Grant Program	97.067	MS Office of Homeland Security	EMW-2024-SS-00-24HS228	20,100
<i>Total Department of Homeland Security</i>				<u>554,725</u>
Total Expenditures of Federal Awards				<u><u>\$ 5,984,861</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF LAUREL, MISSISSIPPI

Notes to the Supplemental Information Year Ended September 30, 2025

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Laurel, Mississippi under programs of the federal government for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Laurel, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Laurel, Mississippi.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

CITY OF LAUREL, MISSISSIPPI

**Schedule of Surety Bonds for Municipal Officials
Year Ended September 30, 2025**

<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

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



JULIE M. UHER, CPA
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SHERI A. KELLY, 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Laurel, Mississippi as of and for the year ended September 30, 2025, 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 March 21, 2026.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2025-001 to be a material weakness.

Report on Compliance and Other Matters

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

City of Laurel, Mississippi's Response to Findings

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

Purpose of This Report

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

Holt & Associates, PLLC

Laurel, Mississippi

March 21, 2026



JULIE M. UHER, CPA
KARI M. BLACKLEDGE, CPA
SHERI A. KELLY, CPA

H. I. HOLT, CPA | FOUNDER | 1915-1997

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Laurel, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Laurel, Mississippi's major federal programs for the year ended September 30, 2025. City of Laurel, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Laurel, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Laurel, Mississippi's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Holt & Associates, PLLC

Laurel, MS
March 21, 2026

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



JULIE M. UHER, CPA
KARI M. BLACKLEDGE, CPA
SHERI A. KELLY, 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, 2025, and have issued our report thereon dated March 21, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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

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

Finding #1

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

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

Response: 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.

Finding #2

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

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

Response: During non-election years, the Administration will usually recommend budget amendments to cover budget expenditure overruns. However, since FY 2025 was an election year, the City was limited to its last budget amendment in August and was therefore unable to make its usual end-of-the-year budget amendments in September. The City will closely monitor and amend the city's budget as necessary.

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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
March 21, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF LAUREL, MISSISSIPPI

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2025**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Fund

- | | |
|---|-------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$1,000,000 |
| 9. Auditee qualified as low-risk auditee? (Yes/No) | No |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

CITY OF LAUREL, MISSISSIPPI

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2025**

Section II: Financial Statement Findings

Material Weakness

Finding 2025-001

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

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

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

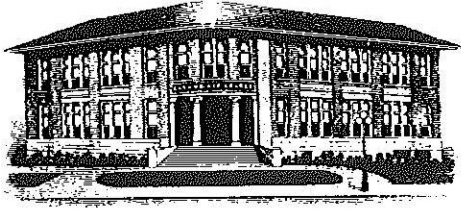
Effect: The ability to monitor cash flow and current budget effectively could be reduced. Furthermore, funds that are restricted or designated for other purposes could be spent erroneously.

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

Section III: Federal Award Findings and Questioned Costs

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

**CITY OF LAUREL, MISSISSIPPI
AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2025**



Post Office Box 647
Laurel, Mississippi 39441

AUDITEE'S CORRECTIVE ACTION PLAN

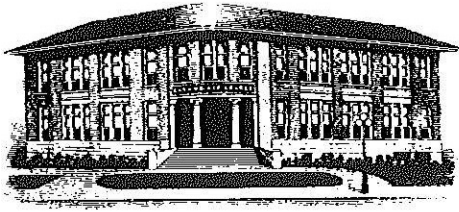
As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the City of Laurel, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2025:

Finding:
2025-001:

Corrective Action Plan Details:
Name of Contact Person Responsible for Corrective Action:
Kristal Jones, Finance Director (601) 428-6434

Corrective Action Planned:

Management concurs with the audit finding that there were funds with negative balances. Management will take corrective action immediately. Management will ensure that transfers are completed in a timely manner to cover the negative balances.



Post Office Box 647
Laurel, Mississippi 39441

Summary of Prior Year Audit Findings

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the City of Laurel, Mississippi has prepared and hereby submits the following summary of prior year audit findings follow up as of September, 30, 2024:

Finding: 2024-001
Status: Repeat Finding

Finding: 2024-002
Status: Corrected

Finding: 2024-003
Status: Corrected