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Hal Marx
Mayor

Melissa Martin
City Clerk

Rocky Eaton
City Attorney



Aldermen
Brad Amacker
Craig Bullock
David Clayton
Tony Ducker
William King
Clint Moore
Steve Stringer

October 17, 2017

Office of the State Auditor
P O Box 956
Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the City of Petal, Mississippi for the fiscal year ended September 30, 2016. In connection with this audit a separate management letter was writing to the City of Petal. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Hal Marx", written in a cursive style.

Hal Marx
Mayor

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WRIGHT CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants

#10 Plaza Drive • P.O. Box 16433 • Hattiesburg, MS 39404-6433
Phone 601.268.3135 • Fax 601.261.3922
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September 27, 2017

Honorable Mayor, Members of the Board of Aldermen
City of Petal, Mississippi

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Petal as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered City of Petal'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 Petal's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Petal'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 discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged

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with governance. We consider the following deficiency in internal control to be significant deficiency:

1. The City does not have adequate control procedures for capital assets additions and deletions. In fiscal year 2016, the City disposed of central fueling station buildings and received in exchange cash and a piece of land. The land received in this exchange was not recorded by the City on their general ledger and capital assets inventory. This may cause misstatements in financial reporting. Management should develop procedures to ensure complete records of capital assets.

We noted other control issues that, although they are not material weaknesses or significant deficiencies, still merit management attention:

1. The City has not prepared financial statements in time to complete financial audit timely. This happened also for FY2014 and FY2015 audits. We recommend that management closely monitor year end procedures and preparation of financial statements to ensure timely completion of audit.
2. Analysis of amended budget disclosed material unfavorable variances between final budget and actual expenses and revenue. We recommend that management pays closer attention to budget preparation.
3. The City exceeded 15% debt limitation per Section 21-33-303 of Mississippi Code. We recommend that the management refrain from further borrowing until the City is in compliance with debt limitations.

This information is intended solely for the use of Board of Aldermen, Mayor and management of City of Petal and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wright CPA Group, PLLC

Wright CPA Group, PLLC

03/25/2017

CITY OF PETAL, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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CITY OF PETAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor,
Members of the Board of Aldermen,
and City Clerk
City of Petal, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, Mississippi, as of and for the year ended September 30, 2016, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 14 and 55 through 56 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.

The Other Supplementary Information section which includes the Schedule of Surety Bonds for Municipal Officials is presented for the purposes of additional analysis as required by the Mississippi Department of State Auditor and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, we express no opinion on it.

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC
Certified Public Accountants
Hattiesburg, Mississippi

September 27, 2017



MANAGEMENT DISCUSSION AND ANALYSIS



*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

This Discussion and Analysis of The City of Petal's financial performance provides a narrative overview and analysis of the City's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 were as follows:

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2016 by \$13,237,297 (net position), which represents an increase of \$323,448 from the prior year. This is due primarily from operations.

As of September 30, 2016, the City's governmental funds reported a combined fund balance of \$4,359,201, which represents an increase of \$369,263.

During the fiscal year the City decreased its long-term debt by \$1,217,616 as a result of normal scheduled debt payments, refinancing of bonds and obtaining \$28,000 of equipment financed by capital leases.

The governmental activities expenses and transfers out exceeded revenue by approximately \$4,396,788 resulting in a net decrease in net position. This decrease includes \$4,885,000 of water and sewer revenue bonds being refinanced with general obligation bonds which effectively transferred the debt from the business activities to the governmental activities. As a result the City's business-type activities revenues and transfers in exceeded expenses by approximately \$4,720,236.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finance, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the City's assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.



*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, court, public safety, public works, culture and recreation and debt service. The business-type activities of the City include water and sewer fund and solid waste fund.

The government-wide financial statements can be found in Exhibit A and B of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds – Most of the City's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the City's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The city maintains nine individual governmental funds which are combined into a single, aggregated presentation.

The basic governmental fund financial statements are presented as Exhibits D and C in this report.

Component Unit.-The "Petal Public Improvement Corporation" is treated as a blended component unit and reported as a governmental fund.



*CITY OF PETAL, MISSISSIPPI
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FOR YEAR ENDED SEPTEMBER 30, 2016*

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are reported in the same way as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprises funds to account for its water and sewer fund and solid waste fund both of which are considered major funds. Internal service funds are an accounting device to accumulate and allocate costs internally among various City funds and functions. The City uses internal service fund to account for its vehicle fuel cost. This fund is included with the governmental activities in the government wide financial statement and as a separate column in the proprietary fund financial statement.

The basic proprietary fund financial statements are presented as Exhibits E, F and G in this report.

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 functions. These funds are reported using the accrual basis of accounting.

The basic fiduciary fund financial statements are presented as Exhibit H of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The City adopts an annual operating budget for all funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Other Information

Although not a required part of the basic financial statements, this report also presents certain other supplementary information requested by the Mississippi State Auditors Office.

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*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$13,237,297 as of September 30, 2016.

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.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2016	2015	2016	2015	2016	2015		
Current and other assets	\$ 9,086,560	\$ 8,455,787	\$ 2,307,280	\$ 1,983,181	\$ 11,393,840	\$ 10,438,968	\$ 954,872	9.15%
Capital assets	18,501,782	18,042,696	14,730,203	15,424,109	33,231,985	33,466,805	(234,820)	-0.70%
Total assets	27,588,342	26,498,483	17,037,483	17,407,290	44,625,825	43,905,773	720,052	1.64%
Deferred outflow of resources	1,489,741	1,535,906	128,066	131,612	1,617,807	1,667,518	(49,711)	-2.98%
Long-term debt	17,438,275	13,430,891	210,000	5,435,000	17,648,275	18,865,891	(1,217,616)	-6.45%
Net pension liability	9,032,047	7,806,428	970,952	850,067	10,002,999	8,656,495	1,346,504	15.55%
Other liabilities	609,767	614,077	522,243	497,405	1,132,010	1,111,482	20,528	1.85%
Total liabilities	27,080,089	21,851,396	1,703,195	6,782,472	28,783,284	28,633,868	149,416	0.52%
Deferred inflow of resources	4,219,098	4,007,309	3,953	18,265	4,223,051	4,025,574	197,477	4.91%
Net position:								
Net investment in capital assets:	1,380,566	4,939,080	14,520,203	9,989,109	15,900,769	14,928,189	972,580	6.52%
Restricted	-	-	129,150	129,020	129,150	129,020	130	0.10%
Unrestricted	(3,601,670)	(2,763,396)	809,048	620,036	(2,792,622)	(2,143,360)	(649,262)	30.29%
Total net position	\$ (2,221,104)	\$ 2,175,684	\$ 15,458,401	\$ 10,738,165	\$ 13,237,297	\$ 12,913,849	\$ 323,448	2.50%



*CITY OF PETAL, MISSISSIPPI
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FOR YEAR ENDED SEPTEMBER 30, 2016*

By far the largest portion of City's net position (120%) reflects its investment in capital assets less related outstanding debt. The City completed the Byrd Blvd extension from grants and other revenues which is reflected in the increase in capital assets in the governmental activities.

Changes in net position

Governmental activities decreased the City's net position by \$4,396,788 and the business activities increased the City's net position by \$4,720,236. The key elements of these changes are reported in the following statement. These decreases are primarily result refinancing revenue bonds with general obligation bonds.



*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

**Table 2
Condensed Statement of Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2016	2015	2016	2015	2016	2015		
Program Revenues:								
Charges for Services	\$ 429,393	\$ 521,507	\$ 3,957,267	\$ 2,935,433	\$ 4,386,660	\$ 3,456,940	\$ 929,720	26.89%
Grants and Donations	1,052,430	1,033,483	-	160,689	1,052,430	1,194,172	(141,742)	-11.87%
General Revenues:								
Property Taxes	4,517,421	4,139,235	-	-	4,517,421	4,139,235	378,186	9.14%
Sales Taxes	2,506,377	2,466,701	-	-	2,506,377	2,466,701	39,676	1.61%
Other Taxes and Other	646,131	839,806	898	758	647,029	840,564	(193,535)	-23.02%
Gain (loss) sale of Capital Assets	(20,184)	29,910	(104,444)	3,969	(124,628)	33,879	(158,507)	-467.86%
Total Revenues	9,131,568	9,030,642	3,853,721	3,100,849	12,985,289	12,131,491	853,798	7.04%
Program Expenses:								
General Government	804,622	770,519	-	-	804,622	770,519	34,103	4.43%
Court	280,881	288,397	-	-	280,881	288,397	(7,516)	-2.61%
Public Safety	3,703,881	3,549,379	-	-	3,703,881	3,549,379	154,502	4.35%
Public Works	1,341,062	1,292,261	-	-	1,341,062	1,292,261	48,801	3.78%
Culture & Recreation	899,808	1,093,585	-	-	899,808	1,093,585	(193,777)	-17.72%
Interest and Other Charges	569,486	168,924	-	-	569,486	168,924	400,562	237.13%
Pension expense	1,622,660	962,612	160,045	104,757	1,782,705	1,067,369	715,336	67.02%
Water and Sewer	-	-	2,496,080	2,753,355	2,496,080	2,753,355	(257,275)	-9.34%
Solid Waste	-	-	784,914	6,184	784,914	6,184	778,730	12592.66%
Total Expenses	9,222,400	8,125,677	3,441,039	2,864,296	12,663,439	10,989,973	1,673,466	15.23%
Increase(decrease) in net assets								
before transfers and prior period	(90,832)	904,965	412,682	236,553	321,850	1,141,518	(819,668)	-71.81%
Net transfers	(4,305,956)	(6,323,229)	4,307,554	6,323,229	1,598	-	-	
Prior Period Adjustment	-	(6,300,523)	-	(686,084)	-	(6,986,607)	-	
Change in Net Position	\$ (4,396,788)	\$ (11,718,787)	\$ 4,720,236	\$ 5,873,698	\$ 323,448	\$ (5,845,089)	\$ 6,168,537	



*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds reported a combined fund balance of \$4,359,201, an increase of \$369,263. \$3,519,093, or 80%, of the fund balance is unassigned, which is available for spending at the City's discretion. The remaining fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$635,577. The fund balance of Other Governmental Funds showed a decrease in the amount of \$266,314 as result of completion of City's Street Paving Project.

Proprietary funds. The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net position of \$809,048 is comprised of \$610,556 for the water and sewer and \$198,492 for the solid waste fund. User fees and charges were sufficient to cover costs this year and refinancing \$4,885,000 in revenue bonds with general obligation bonds resulted in an increase in net position of \$4,693,825 for the water and sewer fund. An increase in net position of \$26,411 for the solid waste fund was due primarily to operations.

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, disbursement and encumbrances. One of the most significant budgeted funds is the General Fund.

During 2016, the City's general fund budget was amended. All recommendations for a change come from the department heads to the City Clerk for review before going to the Mayor and Board of Aldermen for consideration. The City does not allow budget changes that modify line items within any department without Board approval. The General Fund is closely monitored for possible revenue shortfalls or over spending, since it supports so many departments. The General Fund original budgeted revenues were \$7,175,700; with the final budgeted amount being \$7,234,200; and with \$7,404,457 in actual revenue collections. The General Fund's original budgeted expenditures of \$7,160,374 were amended to \$7,233,888, with actual expenditures of \$6,993,481.

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*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the City has over \$33,000,000 invested in a large range of capital assets net of accumulated depreciation, including police and fire equipment, water and sewer lines, roads and buildings.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2016	2015	2016	2015	2016	2015		
Land	\$ 597,495	\$ 597,495	\$ 21,994	\$ 21,994	\$ 619,489	\$ 619,489	\$ -	0%
Buildings and improvements	4,105,385	4,268,052	241,141	481,822	4,346,526	4,749,874	(403,348)	-8.49%
Equipment	1,667,817	1,925,416	228,384	266,185	1,896,201	2,191,601	(295,400)	-13.48%
Infrastructure	11,991,229	11,212,688	14,238,684	14,654,108	26,229,913	25,866,796	363,117	1.40%
Totals	\$ 18,361,926	\$ 18,003,651	\$ 14,730,203	\$ 15,424,109	\$ 33,092,129	\$ 33,427,760	\$ (335,631)	-1.00%

Additional information about the City's capital assets can be found in Note 5 of this report.

Debt

At year-end, the City had \$17,648,275 in bonds, notes, and leases outstanding compared to \$18,865,891 last year - a decrease of \$1,217,616.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2016	2015	2016	2015	2016	2015		
General Obligation Bonds	\$ 16,673,000	\$ 12,413,000	\$ -	\$ -	\$ 16,673,000	\$ 12,413,000	\$ 4,260,000	34.32%
Limited & Special Obligation Bonds	-	-	210,000	5,435,000	210,000	5,435,000	(5,645,000)	-103.86%
Other Loans	-	-	-	-	-	-	-	NA
Capital Leases	765,275	1,017,891	-	-	765,275	1,017,891	(252,616)	-24.82%
Totals	\$ 17,438,275	\$ 13,430,891	\$ 210,000	\$ 5,435,000	\$ 17,648,275	\$ 18,865,891	\$ (1,637,616)	-8.68%

The city refunded its 2006 and its 2007 Water and Sewer revenue bonds with GO debt. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

Not included above but reported as long-term debt in the financial statements is the accumulated employee leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as a compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation and thus is "owed" to them.



*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2016*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates, and fees that will be charged for the business-type activities. In an effort to maximize City efficiency and fiscal responsibility, the City Board did not increase tax rates for 2017.

This 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 received. If you have any questions about this report or need additional financial information, contact the Mayor and City Clerk at 102 West 8th Avenue, Petal, MS 39465.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

APR 25 2017

CITY OF PETAL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 4,309,911	\$ 1,324,627	\$ 5,634,538
Receivables, net of allowance for uncollectibles	4,659,777	75,070	4,734,847
Due from other funds	72,504	161,111	233,615
Unbilled revenue	-	319,207	319,207
Inventory, at cost	-	10,431	10,431
Prepaid items	44,368	-	44,368
Restricted Assets			
Cash Bond Reserves	-	129,150	129,150
Customer deposits	-	287,684	287,684
Land	597,495	21,993	619,488
Capital assets, net	17,765,015	14,708,210	32,473,225
Capitalized interest and bond costs (net)	139,272	-	139,272
Total Assets	<u>27,588,342</u>	<u>17,037,483</u>	<u>44,625,825</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,172,682	128,066	1,300,748
Unamortized amount on debt refunding	317,059	-	317,059
Total Deferred Outflow of Resources	<u>1,489,741</u>	<u>128,066</u>	<u>1,617,807</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	235,284	182,745	418,029
Due to other funds	174,675	64,839	239,514
Other payables	33,391	21,102	54,493
Customer deposits	-	247,510	247,510
Accrued interest	113,117	-	113,117
Compensated absences	53,300	6,047	59,347
Noncurrent liabilities:			
Net pension liability	9,032,047	970,952	10,002,999
Debt due within one year	1,150,279	210,000	1,360,279
Debt due in more than one year	16,287,996	-	16,287,996
Total Liabilities	<u>27,080,089</u>	<u>1,703,195</u>	<u>28,783,284</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	22,628	3,953	26,581
Property taxes levied for subsequent year	4,196,470	-	4,196,470
Total Deferred Inflow of Resources	<u>4,219,098</u>	<u>3,953</u>	<u>4,223,051</u>
NET POSITION			
Net investment in capital assets	1,380,566	14,520,203	15,900,769
Restricted for debt covenants	-	129,150	129,150
Unrestricted	(3,601,670)	809,048	(2,792,622)
Total Net Position	<u>\$ (2,221,104)</u>	<u>\$ 15,458,401</u>	<u>\$ 13,237,297</u>

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

CITY OF PETAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 804,622	\$ -	\$ 8,100	\$ -	\$ (796,522)		\$ (796,522)
Court	280,881	263,424	-	-	(17,457)		(17,457)
Public safety	3,703,881	-	91,648	-	(3,612,233)		(3,612,233)
Public works	1,341,062	83,420	300,079	652,603	(304,960)		(304,960)
Culture & recreation	899,808	82,549	-	-	(817,259)		(817,259)
Pension expense	1,622,660	-	-	-	(1,622,660)		(1,622,660)
Interest/other charges on long-term debt	569,486	-	-	-	(569,486)		(569,486)
Total governmental activities	<u>9,222,400</u>	<u>429,393</u>	<u>399,827</u>	<u>652,603</u>	<u>(7,740,577)</u>		<u>(7,740,577)</u>
Business-type activities							
Water & Sewer	2,496,080	3,146,013	-	-		\$ 649,933	649,933
Solid Waste	784,914	811,254	-	-		26,340	26,340
Pension expense	160,045	-	-	-		(160,045)	(160,045)
Total business-type activities	<u>3,441,039</u>	<u>3,957,267</u>	<u>-</u>	<u>-</u>		<u>516,228</u>	<u>516,228</u>
Total	<u>\$ 12,663,439</u>	<u>\$ 4,386,660</u>	<u>\$ 399,827</u>	<u>\$ 652,603</u>	<u>(7,740,577)</u>	<u>516,228</u>	<u>(7,224,349)</u>
General revenues:							
Property taxes					4,517,421	-	4,517,421
Sales taxes					2,506,377	-	2,506,377
Franchise taxes and privilege licenses					513,160	-	513,160
Transfers					(4,305,956)	4,307,554	1,598
Unrestricted investment earnings					460	898	1,358
Other					132,511	-	132,511
Gain/loss on sale of assets					(20,184)	(104,444)	(124,628)
Total general revenues					<u>3,343,789</u>	<u>4,204,008</u>	<u>7,547,797</u>
Change in net position					(4,396,788)	4,720,236	323,448
Net position - beginning					2,175,684	10,738,165	12,913,849
Net position - ending					<u>\$ (2,221,104)</u>	<u>\$ 15,458,401</u>	<u>\$ 13,237,297</u>

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

FUND FINANCIAL STATEMENTS

CITY OF PETAL
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

Exhibit C

	General Fund	Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Cash and other deposits	\$ 3,369,046	\$ 331,882	\$ 558,096	\$ 4,259,024
Franchise fees receivable	136,539	-	-	136,539
Fines receivable, net of \$1,960,000	41,683	-	-	41,683
Due from other governments	238,619	-	-	238,619
Property taxes levied for subsequent year	3,650,000	-	546,470	4,196,470
Prepaid Insurance	44,368	-	-	44,368
Due from other funds	72,504	-	-	72,504
Other receivables	45,812	4	651	46,467
Total Assets	<u>\$ 7,598,570</u>	<u>\$ 331,886</u>	<u>\$ 1,105,217</u>	<u>\$ 9,035,673</u>
LIABILITIES AND OTHER CREDITS				
Accounts payable	\$ 187,871	\$ 41,028	\$ 6,209	\$ 235,108
Other payables	306	-	530	836
Insurance payable	32,407	-	-	32,407
Due to other funds	167,210	-	2,758	169,968
Total Liabilities	<u>387,794</u>	<u>41,028</u>	<u>9,497</u>	<u>438,319</u>
DEFERRED INFLOWS OF RESOURCES				
Revenues not available - court fines	41,683	-	-	41,683
Property taxes levied for subsequent year	3,650,000	-	546,470	4,196,470
	<u>3,691,683</u>	<u>-</u>	<u>546,470</u>	<u>4,238,153</u>
FUND BALANCES:				
Restricted for bond	-	-	482,238	482,238
Assigned, reported in				
Special revenue funds	-	290,858	66,460	357,318
Capital projects funds	-	-	552	552
Unassigned, reported in				
General fund	3,519,093	-	-	3,519,093
Total fund balances	<u>3,519,093</u>	<u>290,858</u>	<u>549,250</u>	<u>4,359,201</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,598,570</u>	<u>\$ 331,886</u>	<u>\$ 1,105,217</u>	<u>\$ 9,035,673</u>

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

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CITY OF PETAL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Exhibit C-1

Total Fund Balance-Governmental Funds (Exhibit C)	\$ 4,359,201
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$10,556,787	18,361,926
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds	41,683
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds	139,272
Other long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds	
Net Pension liability	(9,032,047)
Compensated absences	(53,300)
Accrued interest expense	(113,117)
Deferred outflows and inflows of resources are applicable to future periods and, therefore are not reported in the funds:	
Unamortized amount on debt refunding	317,059
Deferred outflows of resources related to pensions	1,172,682
Deferred inflows of resources related to pensions	(22,628)
Long-term debt, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(17,438,275)
Net position from Internal Service Fund (Exhibit E)	<u>46,440</u>
Total Net Position-Governmental Activities (Exhibit A)	<u>\$ (2,221,104)</u>

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit D

	General Fund	Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 3,823,097	\$ -	\$ 694,324	\$ 4,517,421
Licenses and fees	513,160	-	-	513,160
Intergovernmental revenue	2,545,874	939,046	73,887	3,558,807
Charges for services	430,393	-	-	430,393
Earnings on investments	253	46	161	460
Other	82,583	23,712	26,216	132,511
TOTAL REVENUE	<u>7,395,360</u>	<u>962,804</u>	<u>794,588</u>	<u>9,152,752</u>
EXPENDITURES				
General government	800,554	-	-	800,554
Court	297,036	-	-	297,036
Public safety	3,817,499	-	69,731	3,887,230
Public works	893,012	1,233,102	-	2,126,114
Culture & recreation	776,584	-	20,164	796,748
Debt service	-	-	-	-
Principal	327,231	-	578,385	905,616
Interest	44,661	-	428,822	473,483
Other	-	-	6,347	6,347
Total expenditures	<u>6,956,577</u>	<u>1,233,102</u>	<u>1,103,449</u>	<u>9,293,128</u>
Excess (deficiency) of revenues over expenditures	<u>438,783</u>	<u>(270,298)</u>	<u>(308,861)</u>	<u>(140,376)</u>
Other financing sources (uses):				
Transfers in	157,601	-	324,946	482,547
Transfers out	-	-	(4,790,101)	(4,790,101)
Proceeds from capital lease	-	-	28,000	28,000
Proceeds from refunding bonds	-	-	4,885,000	4,885,000
Debt issuance costs	-	-	(135,000)	(135,000)
Sale of capital assets	39,193	-	-	39,193
Total other financing sources (uses)	<u>196,794</u>	<u>-</u>	<u>312,845</u>	<u>509,639</u>
Net change in fund balance	635,577	(270,298)	3,984	369,263
Fund Balances - Beginning	<u>2,883,516</u>	<u>561,156</u>	<u>545,266</u>	<u>3,989,938</u>
Fund Balances - Ending	<u>\$ 3,519,093</u>	<u>\$ 290,858</u>	<u>\$ 549,250</u>	<u>\$ 4,359,201</u>

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

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CITY OF PETAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit D-1

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (Exhibit D) \$ 369,263

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.

Capital Outlay 1,271,342
 Depreciation (853,690)

In the statement of activities, only the gain/loss on sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (59,377)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount that debt proceeds exceeded debt payments in the current period.

Debt proceeds (4,913,000)
 Debt payments 905,616

Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

This is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of debt issuance cost (44,404)
 Amortization of premium debt refunding 114,638
 Debt issuance cost on refunding 20,361

Fine revenue recognized using the full accrual basis of accounting in the Statement of Activities do not provide current financial resources and are not reported as revenue in the funds. (1,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences (7,299)
 Accrued interest (88,058)

Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds.

Recording of pension expense for the current period (1,622,660)
 Recording of contributions made subsequent to the measurement date 506,200
 Amortization of deferred outflow of resources -

Internal service fund is used by the City to charge the costs of auto and equipment maintenance to individual funds. The net revenue (cost) of the internal service fund is reported with governmental activities.

5,280

Change in Net Position of Governmental Activities \$ (4,396,788)

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

CITY OF PETAL
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

Exhibit E

	Business-type Activities - Enterprise funds			Internal Service
	Water and Sewer Fund	Solid Waste Fund	Totals	Central Fueling Station
ASSETS				
Cash and cash equivalents	\$ 1,237,751	\$ 86,876	\$ 1,324,627	\$ 50,887
Customer receivables, net of allowance	47,210	6,839	54,049	-
Due from other funds	-	161,111	161,111	-
Unbilled revenue	255,538	63,669	319,207	-
Other receivables	17,176	3,845	21,021	-
Inventory, at cost	10,431	-	10,431	-
Restricted Assets				
Cash Bond Reserves	129,150	-	129,150	-
Customer deposits	287,684	-	287,684	-
Land	21,993	-	21,993	-
Capital assets, net	<u>14,658,812</u>	<u>49,398</u>	<u>14,708,210</u>	<u>584</u>
Total Assets	<u>16,665,745</u>	<u>371,738</u>	<u>17,037,483</u>	<u>51,471</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to pensions	<u>128,066</u>	<u>-</u>	<u>128,066</u>	<u>-</u>
Total deferred outflow of resources	<u>128,066</u>	<u>-</u>	<u>128,066</u>	<u>-</u>
LIABILITIES				
Accounts Payable	\$ 64,265	\$ 118,480	\$ 182,745	\$ 176
Other payables	15,734	5,368	21,102	148
Due to other funds	64,839	-	64,839	4,707
Customer deposits	247,510	-	247,510	-
Compensated absences	6,047	-	6,047	-
Noncurrent liabilities:				
Net pension liability	970,952	-	970,952	-
Capital related debt due within one year	<u>210,000</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
Total Liabilities	<u>1,579,347</u>	<u>123,848</u>	<u>1,703,195</u>	<u>5,031</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflows related to pensions	<u>3,953</u>	<u>-</u>	<u>3,953</u>	<u>-</u>
Total deferred inflow of resources	<u>3,953</u>	<u>-</u>	<u>3,953</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,470,805	49,398	14,520,203	584
Restricted for debt covenants	129,150	-	129,150	-
Unrestricted	<u>610,556</u>	<u>198,492</u>	<u>809,048</u>	<u>45,856</u>
Total Net Position	<u>15,210,511</u>	<u>247,890</u>	<u>15,458,401</u>	<u>46,440</u>

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit F

	<u>Business-type Activities - Enterprise funds</u>			<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Central Fueling Station</u>
Operating revenues:				
Sales	\$ 2,392,483	\$ 811,249	\$ 3,203,732	\$ 59,656
Other fees and charges	86,361	-	86,361	-
Other revenue	120,654	5	120,659	-
Sewer treatment charges	546,515	-	546,515	-
	<u>3,146,013</u>	<u>811,254</u>	<u>3,957,267</u>	<u>59,656</u>
Operating expenses:				
Personnel services	406,388	-	406,388	-
Supplies and materials	210,625	-	210,625	49,916
Other services and charges	1,113,724	767,359	1,881,083	4,460
Capital outlay expenses	201,012	-	201,012	-
Pension expense	160,045	-	160,045	-
Depreciation and amortization	459,704	6,183	465,887	-
Bad debt expense	79,837	11,372	91,209	-
Total operating expenses	<u>2,631,335</u>	<u>784,914</u>	<u>3,416,249</u>	<u>54,376</u>
Operating income (loss)	514,678	26,340	541,018	5,280
Other sources (uses)				
Investment earnings	827	71	898	-
Transfer from other funds	4,750,000	-	4,750,000	-
Transfer to other funds	(442,446)	-	(442,446)	-
Gain (loss) on sale of assets	(104,444)	-	(104,444)	-
Interest expense	(24,790)	-	(24,790)	-
	<u>4,179,147</u>	<u>71</u>	<u>4,179,218</u>	<u>-</u>
Change in net position	4,693,825	26,411	4,720,236	5,280
Total net position - beginning	10,516,686	221,479	10,738,165	41,160
Prior Period Adjustment	-	-	-	-
Total net position - beginning as restated	<u>10,516,686</u>	<u>221,479</u>	<u>10,738,165</u>	<u>41,160</u>
Total net position - ending	<u>\$ 15,210,511</u>	<u>\$ 247,890</u>	<u>\$ 15,458,401</u>	<u>\$ 46,440</u>

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit G

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash flow from operating activities:			
Cash received from customers (excluding deposit)	\$ 3,226,415	\$ 686,824	\$ 3,913,239
Cash paid to suppliers	(1,525,448)	(767,032)	(2,292,480)
Cash paid to employees	(459,899)	-	(459,899)
Net cash provided (used) by operating activities	<u>1,241,068</u>	<u>(80,208)</u>	<u>1,160,860</u>
Cash flow from noncapital financing activities:			
Transfer from other funds	4,750,000	-	4,750,000
Transfer to other funds	(442,446)	-	(442,446)
Principal paid on refunding bonds	(4,750,000)	-	(4,750,000)
Other refinancing costs	(52,244)	-	(52,244)
Net cash flows provided (used) by noncapital financing activities	<u>(494,690)</u>	<u>-</u>	<u>(494,690)</u>
Cash flow from capital financing activities:			
Principal paid on bonds	(475,000)	-	(475,000)
Interest paid	(146,903)	-	(146,903)
Net cash flows provided (used) by capital financing activities	<u>(621,903)</u>	<u>-</u>	<u>(621,903)</u>
Cash flow from investing activities:			
Proceeds from sale of assets	123,575	-	123,575
Interest received	827	71	898
Net cash flows provided (used) by investing activities	<u>124,402</u>	<u>71</u>	<u>124,473</u>
Net increase (decrease) in cash for the year	248,877	(80,137)	168,740
Cash and restricted cash - October 1, 2015	<u>1,405,708</u>	<u>167,013</u>	<u>1,572,721</u>
Cash and restricted cash - September 30, 2016	<u>\$ 1,654,585</u>	<u>\$ 86,876</u>	<u>\$ 1,741,461</u>

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit G (continued)

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
Operating income (loss)	\$ 514,678	\$ 26,340	\$ 541,018
Adjustments to reconcile operating income to net cash provided by operating activities:			
Pension expense	160,045	-	160,045
Depreciation	459,704	6,183	465,887
Bad debt expense	79,837	11,372	91,209
(Increase) decrease in accounts receivable	(43,635)	(17,980)	(61,615)
(Increase) decrease in other assets	43,196	(224,603)	(181,407)
Increase (decrease) in other liabilities	67,634	-	67,634
Increase (decrease) in accounts payable	<u>(40,391)</u>	<u>118,480</u>	<u>78,089</u>
Net cash provided by operating activities	<u>\$ 1,241,068</u>	<u>\$ (80,208)</u>	<u>\$ 1,160,860</u>
Other Required Disclosures:			
Interest paid	<u>\$ 146,903</u>	<u>\$ -</u>	

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

CITY OF PETAL
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2016

Exhibit H

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 4
Due from other funds	6,099
Other receivable	-
	<hr/>
Total Assets	<u>\$ 6,103</u>
LIABILITIES	
Other liability	\$ 6,103
Due to other funds	-
	<hr/>
Total Liabilities	<u>\$ 6,103</u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Petal, Mississippi (the City) was incorporated in 1974. The City operates under Mayor -Alderman Form of government and provides the following services:

- Public Safety
- Public Works
- Health and Welfare
- Culture and Recreation
- General Administration
- Judicial
- Water and Sewer Utility
- Solid Waste Collection

A. Reporting Entity

The City of Petal is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its blended component unit, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended component unit.

The Petal Public Improvement Corporation is a tax exempt entity formed to finance the construction of a multi-purpose center to be leased to the City and to fund other city improvements. The Board of Directors of Petal Public Improvement Corporation is composed of the Mayor and Aldermen of the City of Petal. The Petal Public Improvement Corporation is reported as a governmental fund.

Excluded from the reporting entity.

The City's financial reporting entity does not include the following entities, which are not component units of the City: Petal Municipal School District, Pine Belt Regional Waste Authority, Petal Volunteer Fire Department, and Petal Police Auxiliary.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific service, program or department and therefore clearly identifiable to a particular function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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 recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Road Maintenance Fund – It accounts for paving and improvement of the City’s streets and infrastructure. Funds from the County road and bridge tax and a GO bond issue are accounted for in this fund.

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

The City reports the following fund types:

GOVERNMENTAL 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** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- **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.

FIDUCIARY 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.

Additionally the City reports the following major proprietary funds:

Water and Sewer Enterprise Fund – This fund accounts for the activities of the City’s water and sewer operations.

Solid Waste Disposal – This fund accounts for the activities of the City’s solid waste collection and disposal operations.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 the 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 inter-fund 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 water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Enterprise Fund and of the City's Solid Waste Enterprise Fund are charges to customers for sales and services. The City 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.

D. Account Classification

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

E. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders or contracts.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

F. Cash And Cash Equivalents

The City deposits excess funds in the financial institutions selected by the board of alderman. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less from the end of the fiscal year. Cash and cash equivalents are valued at cost.

G. Investments

The city is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the state of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

For accounting purposes, demand deposits and short-term investments with maturities of three months or less from the end of the fiscal year are classified as cash and cash equivalents and are valued at cost.

H. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as with “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 inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible.

The valuation allowance for the General Fund Police Fines is based on the City’s estimation of amounts that cannot be collected.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so is not recognized as an outflow of resources (expenditure/expense) until then. Currently the City has two items in this category, deferred outflows related to pensions and unamortized amount on debt refunding.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflow of resources. This represents an acquisition of net position that applies to future periods and so is not recognized as an inflow of resources (revenue) until that time. Currently the City has three items in this category, deferred inflows related to pensions, unamortized bond premiums and property taxes levied for the subsequent year.

J. Inventories And Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both governmental and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

K. Restricted Assets

Certain proceeds from the Water and Sewer's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond contingent" account is used to report resources set aside to subsidize potential deficiencies from the Water and Sewer's operation that could adversely affect debt service payments. The "revenue bond current debt service account" is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond cushion" account is used to report resources set aside to make up potential fund deficiencies in the revenue bond current debt service account. The "revenue bond depreciation" account is used to report resources set aside to fund asset renewals and replacements, as well as to make up potential fund deficiencies in the revenue bond current debt service account.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of two years. The capitalization threshold for buildings and improvements other than buildings is \$50,000 and \$25,000, respectfully. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of the acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

No interest is capitalized on self-constructed capital assets of business-type activities because not capitalizing interest does not have a material effect on the City's financial statements.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives, with a full year's depreciation expense taken for all purchases and sales of capital assets during the year. Land is not depreciated.

<u>Asset</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20
Public domain infrastructure (roads)	20
System infrastructure	20
Fire trucks	15
Heavy equipment	10
Furniture and fixtures	7
Vehicles and equipment	5
Computer equipment	3

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City's full liability in the amount of \$59,347 for accumulated unpaid personal leave is reported as a liability in the City's Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types 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 premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Net Position and Fund Balances

In government-wide financial statements, the difference between the City's total assets and total liabilities represents net position. Net position displays three components: net investment in capital assets; restricted net position (distinguished between major categories of restrictions); and unrestricted net position. Unrestricted net position represent the net position available for future operations.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors, or by enabling legislation or constitutional provisions. Committed fund balance has a limitation imposed by a formal action of the City Board. Assigned fund balance has a limitation imposed by the intent of the City Board to use for a specific purpose, but is neither restricted nor committed. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net assets are classified the same as in the government-wide statements.

*CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

P. Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting on or before September 15th, levies property taxes for the ensuing fiscal year which begins October 1. Property taxes attach as an enforceable lien as of the date of levy. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

U. S. generally accepted accounting practices require property taxes to be recognized at the levy date if measurable and available. All property taxes are recorded as a receivable in the period levied but are recognized as revenue in the year for which they are levied. Motor vehicle and motor home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Section 35-57-1 et seq., Mississippi Code 1972, requires that the City levy and collect all taxes for and on behalf of the municipal separate school district. Section 39-3-7, Mississippi Code 1972, authorized the City to levy and collect a tax not in excess of three mills for the support of any public library system located within the municipality. Ad valorem taxes collected and settled in accordance with the above-noted statutory authorities are not recognized as revenues and expenditures of the City.

The City of Petal entered into an inter-local agreement with Forrest County contracting for the County to bill and collect the City's taxes. The County retains a 5% collection fee on automobile and mobile homes ad valorem and a 0.5% fee for real and personal property ad valorem collections. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. The millage rates levied were:

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

	<u>2016</u>
<u>City of Petal</u>	
General Fund	39.37
GO Bond Refunding	2.10
5.0 M GO Bond Debt Service	3.79
Library	<u>0.949</u>
Total City Mills	<u>46.209</u>
<u>Petal Municipal Separate School District</u>	
District Maintenance	55.00
School Building Program	4.56
School Limited Tax Note	<u>2.46</u>
Total School District Mills	<u>62.02</u>

Q. Budgets And Budgetary Accounting

The annual budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the Board of Aldermen. By Statute, the final budget and tax levy must be adopted on or before September 15 for the following fiscal year.

Formal budgetary integration is employed as a management control device during the year. Mississippi laws require that municipalities budget governmental fund types on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the modified accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal.

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation.

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents.

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$6,051,372, and the bank balance was \$6,431,166.

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 formal 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 town.

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

Receivables as of the year end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Governmental	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Receivables:					
Accounts	\$ 136,539	\$ -	\$ 667,276	\$ 147,745	\$ 951,560
Court Fine Receivable	2,001,683	-	-	-	2,001,683
Other Receivable	45,812	651	17,176	3,845	67,484
Property Tax Receivable	3,650,000	546,470	-	-	4,196,470
Intergovernmental	238,619	-	-	-	238,619
Gross Receivables	6,072,653	547,121	684,452	151,590	7,455,816
Less: allowance for uncollectables	(1,960,000)	-	(620,066)	(140,906)	(2,720,972)
Total net receivables	<u>\$ 4,112,653</u>	<u>\$ 547,121</u>	<u>\$ 64,386</u>	<u>\$ 10,684</u>	<u>\$ 4,734,844</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT (cont)

In addition, deferred inflows of resources, which are related to the receivables, consisted of the following at September 30.

	General	Other Governmental	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Property taxes levied for use in the subsequent year	\$ 3,650,000	\$ 546,470	\$ -	\$ -	\$ 4,196,470

NOTE 4- INTER-FUND TRANSACTIONS AND BALANCES

Timing differences between the payments of expenses and collection of revenues for other funds and the subsequent reimbursements are reflected in the inter-fund accounts.

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restrictive amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, 4) move proceeds from general obligation bond issue to payoff revenue bonds.

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out:</u>	<u>Amount</u>
General fund	Water and Sewer Fund	117,500
	Nonmajor Governmental Funds	40,101
		<u>\$ 157,601</u>
Nonmajor Governmental Funds	Water and Sewer Fund	<u>\$ 324,946</u>
Water and Sewer Fund	Nonmajor Governmental Funds	<u>\$ 4,750,000</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5- CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities:

<u>Governmental Activities</u>	<u>Balance 10/1/2015</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
Capital assets not being depreciated:					
Land and easements	\$ 597,495	-	-	-	597,495
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	<u>597,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,495</u>
Capital assets being depreciated:					
Buildings	3,319,192	-	-	-	3,319,192
Improvements other than buildings	2,675,245	-	-	-	2,675,245
Equipment:	-	-	-	-	-
Office & Other Equipment	307,940	-	-	-	307,940
Motor vehicles	2,100,349	-	22,500	248,916	1,873,933
Operating Equipment	1,664,594	-	-	98,604	1,565,990
Infrastructure	17,330,076	-	1,248,842	-	18,578,918
Total assets being depreciated	<u>27,397,396</u>	<u>-</u>	<u>1,271,342</u>	<u>347,520</u>	<u>28,321,218</u>
Totals at historical cost	<u>27,994,891</u>	<u>-</u>	<u>1,271,342</u>	<u>347,520</u>	<u>28,918,713</u>
Less accumulated depreciation					
Buildings	(797,097)	-	(63,792)	-	(860,889)
Improvements other than buildings	(929,288)	-	(98,875)	-	(1,028,163)
Equipment:	-	-	-	-	-
Office & Other Equipment	(144,464)	-	(16,725)	-	(161,189)
Motor vehicles	(1,308,951)	-	(91,165)	(209,486)	(1,190,630)
Operating Equipment	(694,052)	-	(112,832)	(78,657)	(728,227)
Infrastructure	(6,117,388)	-	(470,301)	-	(6,587,689)
Total accumulated depreciation	<u>(9,991,240)</u>	<u>-</u>	<u>(853,690)</u>	<u>(288,143)</u>	<u>(10,556,787)</u>
	<u>18,003,651</u>	<u>-</u>	<u>417,652</u>	<u>59,377</u>	<u>18,361,926</u>
Central Fueling Station:					
Capital assets being depreciated:					
Vehicles	13,063	-	-	-	13,063
Operating Equipment	9,000	-	-	-	9,000
Less accumulated depreciation					
Vehicles	(13,063)	-	-	-	(13,063)
Operating Equipment	(8,415)	-	-	-	(8,415)
Central Fueling Station capital assets, net	<u>585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585</u>
Governmental activities capital assets, net	<u>\$ 18,004,236</u>	<u>\$ -</u>	<u>\$ 417,652</u>	<u>\$ 59,377</u>	<u>\$ 18,362,511</u>

Depreciation expense was charged to the following governmental functions:

	Depreciation
General government	\$ 6,932
Public Safety	166,758
Public Works, which includes the depreciation of general infrastructure assets	515,908
Culture and Recreation	<u>164,092</u>
Total governmental activities depreciation expense	<u>\$ 853,690</u>

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5- CAPITAL ASSETS (cont)

The following is a summary of changes in capital assets for business-type activities:

<u>Business-type Activities</u>	Balance 10/1/2015	Adjustments	Additions	Deletions	Balance 9/30/2016
Capital assets not being depreciated:					
Land and easements	\$ 21,994	-	-	-	21,994
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	<u>21,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,994</u>
Capital assets being depreciated:					
Buildings	677,486	-	-	360,980	316,506
Improvements other than buildings	1,901	-	-	-	1,901
Office Furniture/Equipment	4,000	-	-	-	4,000
Water/Sewer systems	27,026,135	-	-	-	27,026,135
Vehicles	211,864	-	-	-	211,864
Operating Equipment	587,604	-	-	-	587,604
Total assets being depreciated	<u>28,508,990</u>	<u>-</u>	<u>-</u>	<u>360,980</u>	<u>28,148,010</u>
Totals at historical cost	<u>28,530,984</u>	<u>-</u>	<u>-</u>	<u>360,980</u>	<u>28,170,004</u>
Less accumulated depreciation					
Buildings	(195,664)	-	(12,662)	(132,961)	(75,365)
Improvements other than buildings	(1,901)	-	-	-	(1,901)
Office Furniture/Equipment	(3,600)	-	-	-	(3,600)
Water/Sewer systems	(12,378,032)	-	(415,113)	-	(12,793,145)
Vehicles	(160,385)	-	(12,763)	-	(173,148)
Operating Equipment	(422,874)	-	(19,166)	-	(442,040)
Total accumulated depreciation	<u>(13,162,456)</u>	<u>-</u>	<u>(459,704)</u>	<u>(132,961)</u>	<u>(13,489,199)</u>
Water and Sewer capital assets, net	<u>15,368,528</u>	<u>-</u>	<u>(459,704)</u>	<u>228,019</u>	<u>14,680,805</u>
Solid Waste:					
Capital assets being depreciated:					
Infrastructure	8,896	-	-	-	8,896
Operating Equipment	122,869	-	-	-	122,869
Vehicles	54,221	-	-	-	54,221
Total assets being depreciated	<u>185,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,986</u>
Less accumulated depreciation					
Infrastructure	(2,891)	-	(311)	-	(3,202)
Operating Equipment	(108,948)	-	(449)	-	(109,397)
Vehicles	(18,566)	-	(5,423)	-	(23,989)
Total accumulated depreciation	<u>(130,405)</u>	<u>-</u>	<u>(6,183)</u>	<u>-</u>	<u>(136,588)</u>
Solid Waste capital assets, net	<u>55,581</u>	<u>-</u>	<u>(6,183)</u>	<u>-</u>	<u>49,398</u>
Total Business-type activities	<u>\$ 15,424,109</u>	<u>\$ -</u>	<u>\$ (465,887)</u>	<u>\$ 228,019</u>	<u>\$ 14,730,203</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6- LONG-TERM LIABILITIES

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

	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016	Amount Due Within One Year
<u>GENERAL OBLIGATION BONDS</u>					
\$5.0M G.O. Bonds, series 2006 refunded and defeased amount	\$ 235,000	\$ -	\$ (235,000)	\$ -	\$ -
6.510M GO Refunding Bonds, Series 2015 Refunding Series 2006 & 2007 W&S Bonds 2.5% - 4.0%, matures 7/1/2032	\$ 6,510,000	\$ -	\$ -	\$ 6,510,000	\$ -
4.885M GO Refunding Bonds, Series 2016 Refunding Series 2006 & 2007 W&S Bonds 2.0% - 4.0%, matures 7/1/2027	\$ -	\$ 4,885,000	\$ (25,000)	\$ 4,860,000	\$ 340,000
3.1M GO Refunding Bonds, Series 2015 2.0% - 3.0%, matures 2026	\$ 3,065,000	\$ -	\$ -	\$ 3,065,000	\$ 265,000
1.0M GO Bonds, Series 2014 2.25%, matures 2024	\$ 913,000	\$ -	\$ (90,000)	\$ 823,000	\$ 93,000
G.O. Refunding Bonds Series 2012 2.00%-2.375%, matures 2024	\$ 1,690,000	\$ -	\$ (275,000)	\$ 1,415,000	\$ 165,000
	<u>\$ 12,413,000</u>	<u>\$ 4,885,000</u>	<u>\$ (625,000)</u>	<u>\$ 16,673,000</u>	<u>\$ 863,000</u>
<u>CAPITAL LEASES</u>					
Dispatch Console Lease 2.14%, matures 3/2018, annual payments	\$ 78,900	\$ -	\$ (25,740)	\$ 53,160	\$ 26,296
Radio Lease 2.34%, matures	\$ -	\$ 28,000	\$ (5,341)	\$ 22,659	\$ 5,468
Fire Truck Lease 3.21%, matures 9/17	\$ 96,791	\$ -	\$ (47,970)	\$ 48,821	\$ 48,821
Police Car Lease 1.33%, matures 3/2017	\$ 118,038	\$ -	\$ (58,472)	\$ 59,566	\$ 59,566
Musco Sports Lighting 5.45%, matures 9/12/2021	\$ 231,268	\$ -	\$ (33,505)	\$ 197,763	\$ 35,377
Fire Truck Lease 2.11%, matures 8/12/2020	\$ 198,500	\$ -	\$ (38,044)	\$ 160,456	\$ 38,855
Street Equipment Lease 1.89%, matures 3/15/2019	\$ 294,394	\$ -	\$ (71,544)	\$ 222,850	\$ 72,896
	<u>\$ 1,017,891</u>	<u>\$ 28,000</u>	<u>\$ (280,616)</u>	<u>\$ 765,275</u>	<u>\$ 287,279</u>
TOTAL GOVERNMENTAL PURPOSE DEBT	<u>\$ 13,430,891</u>	<u>\$ 4,913,000</u>	<u>\$ (905,616)</u>	<u>\$ 17,438,275</u>	<u>\$ 1,150,279</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6- LONG-TERM LIABILITIES (cont)

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

	<u>Balance</u> <u>10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2016</u>
<u>REVENUE SPECIAL OBLIGATION BONDS</u>				
\$8.5M Water & Sewer, Series 2006 7.0%-4.0% interest, matures 2031	\$ 2,235,000	\$ -	\$ (2,235,000)	\$ -
\$6.5 M Water & Sewer, Series 2007 5.0%-4.0% interest, matures 2032	<u>\$ 3,200,000</u>	<u>\$ -</u>	<u>\$ (2,990,000)</u>	<u>\$ 210,000</u>
	<u>\$ 5,435,000</u>	<u>\$ -</u>	<u>\$ (5,225,000)</u>	<u>\$ 210,000</u>
BUSINESS-TYPE ACTIVITY DEBT	<u>\$ 5,435,000</u>	<u>\$ -</u>	<u>\$ (5,225,000)</u>	<u>\$ 210,000</u>

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6- LONG-TERM LIABILITIES (cont)

Governmental Activities Long-Term Debt

General Obligation Bonds

The City issued G O Bonds, Series 2014 in amount of \$1,000,000 with interest rate of 2.25% to provide funds for the pavement and improvement of streets. General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. There are specific property tax allocations levied for retirement of these bonds.

The following is a schedule by years of the total payments due on this debt:

\$1.0M G.O. Bonds, Series 2014		
	Principle	Interest
2017	93,000	18,518
2018	95,000	16,425
2019	98,000	14,288
2020	101,000	12,083
2021	104,000	9,810
5 year	332,000	15,098
5 year	-	-
5 year	-	-
	823,000	86,220

General Obligation Refunding Bonds

On September 11, 2012, the City issued GO refunding bonds, Series 2012 in amount of \$2,155,000 with interest rate of 2% -2.375% to advance refund \$410,000 of outstanding general obligation bonds series 2001 with interest rates of 5.2% to 5.50% and \$1,545,000 of the total \$1,775,000 outstanding general obligation bonds series 2004 with interest rates of 4.0% to 5.0%.

On February 24, 2015, the City issued GO refunding bonds, Series 2015 in amount of \$3,100,000 with interest rate of 2%-3% to advance refund GO Series 2006. As a result all except \$235,000 of the Series 6, GO Bonds are considered defeased. Debt service requirements for the old debt totals \$4,245,880; debt service for the new debt will be \$3,907,350, resulting in a cash flow savings of \$338,530 and a net present value savings of \$258,030.

The following is a schedule by years of the total payments due on this debt:

\$2.155M G.O. Refunding Bonds, Series 2012			3.1 GO Refunding Series 2015		
	Principle	Interest		Principle	Interest
2017	165,000	29,919	2017	265,000	86,550
2018	170,000	26,619	2018	275,000	45,250
2019	170,000	23,219	2019	280,000	75,750
2020	175,000	19,819	2020	290,000	67,350
2021	180,000	16,319	2021	300,000	58,650
5 year	555,000	25,669	5 year	1,655,000	152,250
5 year	-	-	5 year	-	-
5 year	-	-	5 year	-	-
	1,415,000	141,563		3,065,000	485,800

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6- LONG-TERM LIABILITIES (cont)

General Obligation Water and Sewer Refunding Bonds

On April 9, 2015, the City issued GO Water and Sewer refunding bonds, Series 2015 in amount of \$6,510,000 with interest rate of 2.5% -4.00% to partially advance refund \$4,707,335 of outstanding water and sewer revenue bonds series 2006 with interest rates of 4.0% to 7.00% and to partially advance refund \$2,230,503 of outstanding water and sewer revenue bonds series 2007 with interest rates of 4.0% to 5.0%. Debt service requirements for the old debt totals \$17,190,690; debt service requirements for the new debt will be \$16,567,562, resulting in a cash flow savings of \$623,128 and a net present value savings of \$347,028. The remainder of the 2006 series and 2007 series water and sewer bonds were refunded February 9, 2016, the City issued GO Water and Sewer refunding bonds, Series 2016 in amount of \$4,885,000 with interest rate of 2% - 3%. Debt service requirements for the old debt totals \$6,730,810; debt service requirements for the new debt will be \$5,706,721, resulting in a cash flow savings of \$1,024,089 and a net present value savings of \$278,713.

The following is a schedule by years of the total bond payments due on these refunding bonds combined:

<u>GO WATER & SEWER REFUNDING BONDS</u>		
	<u>Principle</u>	<u>Interest</u>
2017	550,000	481,214
2018	560,000	366,375
2019	580,000	355,175
2020	595,000	343,575
2021	620,000	331,675
2022-2026	3,115,000	1,188,800
2027-2031	4,090,000	815,400
2032-	1,470,000	76,800
	<u>\$ 11,580,000</u>	<u>\$ 3,959,014</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6- LONG-TERM LIABILITIES (cont)

Capital Leases

The City currently has seven outstanding capital lease obligations. These include separate leases for street equipment, fire truck, police vehicles, police dispatch equipment, lighting for its sport complex, fire truck and radios. These leases vary in length and interest rates.

The following is a schedule by years of the total lease payments due on these leases combined:

Capital Leases	Principle	Interest
2017	287,281	22,348
2018	183,771	15,489
2019	161,377	10,438
2020	88,902	5,805
2021	43,944	2,457
2022	-	-
	<u>\$ 765,275</u>	<u>\$ 56,537</u>

Business Type Activities Long-Term Debt

The water and sewer revenue bonds series 2006 and series 2007 were partially refunded with general obligation bonds in April 2015. The balance of these revenue bonds was refunded with general obligation bonds in April 2016. These refunding issues remove the liability from the water and sewer fund to the governmental activities. The City plans to meet these general obligations with operating transfers from the water and sewer revenue.

Compensated Absences Payable

As more fully explained in Note 1(P), compensated absences payable is adjusted on an annual basis. Compensated absences will be paid from the fund from which the employee's salaries were paid.

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7-LIMITATIONS ON INDEBTEDNESS

Presented below is Section 21-33-303 Mississippi Code:

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage 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 which, when added to all of the outstanding general obligation indebtedness, both bonded and floating shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes are levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Section 57-1-1 through 57-1-51 or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53, or to any indebtedness incurred under Section 55-23-8.

The following is a schedule of limitations on the indebtedness of the City at September 30, 2016

Authorized Debt Limit	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation at fiscal year ended September 30, 2016 (\$101,482,644)	\$ 15,222,397	\$ 20,296,529
Present debt subject to 15% limitation	(16,673,000)	-
Present debt subject to 20% limitation including debt subject to 15% limitation	-	<u>(17,438,275)</u>
Margin for further debt under respective limits	<u>\$ (1,450,603)</u>	<u>\$ 2,858,254</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8-DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees for the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% 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, 2016, 2015 and 2014 were \$556,125, \$551,390 and \$572,426, respectively, which equaled the required contributions for each year.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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

At September 30, 2016, the City reported a liability of \$10,002,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.056 percent.

For the year ended September 30, 2016, the City recognized pension expense of \$1,782,705. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 198,835	\$ -
Net difference between projected and actual earnings on pension plan investments	542,123	-
Changes of assumptions	336,056	26,581
Differences between ER contributions and proportionate share of ER contributions	84,703	-
City contributions subsequent to the measurement date	139,031	-
	<hr/>	<hr/>
Total	<u>\$ 1,300,748</u>	<u>\$ 26,581</u>

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:

2017	\$ 551,602
2018	480,334
2109	268,183
2020	<u>135,531</u>
	<u>\$ 1,435,650</u>

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current contribution rate. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

percent) than the current rate:

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 12,826,087	\$ 10,002,999	\$ 7,60,750

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

NOTE 9-CONTINGENCIES

Federal Grants

The city has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these revenues are generally conditioned upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the city. No provision for any liability that may result has been recognized the city's financial statements.

NOTE 10-RISK MANAGEMENT

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

Participation in Public Entity Risk Pool:

The City participates in the Mississippi Municipal Liability Plan (MMLD), 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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10-RISK MANAGEMENT (cont)

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. The City has not had an additional assessment for excess losses incurred by the pool.

NOTE 11-MISSISSIPPI MUNICIPAL COMPLIANCE QUESTIONNAIRE

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

NOTE 12 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 or 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 which existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of City of Petal evaluated the activity of the City through September 27, 2017 (date financial statements were available) and determined the no subsequent events require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A

CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 3,520,000	\$ 3,520,000	\$ 3,813,209	\$ -	\$ 293,209
License and permits	611,500	611,500	601,161	-	(10,339)
Intergovernmental revenues	2,495,500	2,495,500	2,527,302	-	31,802
Charges for services	103,000	103,000	80,599	-	(22,401)
Fines and forfeitures	285,500	285,500	264,424	-	(21,076)
Other	160,200	218,700	117,762	58,500	(100,938)
TOTAL REVENUES	7,175,700	7,234,200	7,404,457	58,500	170,257
EXPENDITURES					
General Government	765,424	810,424	793,221	(45,000)	17,203
Judicial Department	337,932	337,932	297,036	-	40,896
Police Department	2,062,763	2,080,777	2,112,044	(18,014)	(31,267)
Fire Department	1,720,410	1,734,410	1,674,429	(14,000)	59,981
Building Inspection	240,005	210,005	198,603	30,000	11,402
Street Department	1,177,719	1,201,219	1,087,931	(23,500)	113,288
Recreation	624,796	627,796	619,552	(3,000)	8,244
Senior/Cultural Center	98,115	98,115	88,125	-	9,990
Civic Center	133,210	133,210	122,540	-	10,670
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	7,160,374	7,233,888	6,993,481	(73,514)	240,407
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,326	312	410,976	(15,014)	410,664
Other Financing Sources (Uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ 15,326	\$ 312	410,976	\$ (15,014)	\$ 410,664
Adjustments to GAAP Basis					
Revenue Accruals			187,697		
Expense Accruals			36,904		
NET CHANGE IN FUND BALANCE - GAAP BASIS			635,577		
FUND BALANCE-BEGINNING			2,883,516		
FUND BALANCE-ENDING			\$ 3,519,093		

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

Schedule 1B
CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Intergovernmental revenues	\$ 1,100,374	\$ 1,100,374	\$ 939,046	\$ -	\$ (161,328)
Other	-	-	23,758	-	23,758
TOTAL REVENUES	1,100,374	1,100,374	962,804	-	(137,570)
EXPENDITURES					
Public Works	1,100,374	1,100,374	1,233,102	-	(132,728)
TOTAL EXPENDITURES	1,100,374	1,100,374	1,233,102	-	(132,728)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(270,298)	-	(270,298)
Other Financing Sources (Uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (270,298)	\$ -	\$ (270,298)
Adjustments to GAAP Basis					
Revenue Accruals			-		
Expense Accruals			-		
NET CHANGE IN FUND BALANCE - GAAP BASIS			(270,298)		
FUND BALANCE-BEGINNING			561,156		
FUND BALANCE-ENDING			\$ 290,858		

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

CITY OF PETAL

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

PERS

Last 10 Fiscal Years*

	2015	2016
City's proportion of the net pension liability (asset)	\$ 8,656,496	10,002,998
City's proportionate share of the net pension liability (asset)	0.056%	0.056%
City's covered - employee payroll	3,500,889	3,530,952
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.266%	283.295%
Plan fiduciary net position as a percentage of the total pension liability	61.704%	57.468%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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

CITY OF PETAL

Schedule of the City's Contributions

PERS

Last 10 Fiscal Years *

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 551,390	\$ 556,125
Contributions in relation to the contractually required contribution	<u>551,390</u>	<u>556,125</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered - employee payroll	3,500,889	3,530,952
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available

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

CITY OF PETAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

BUDGETARY COMPARISON SCHEDULE

- 1) Basis of Presentation. The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budget basis and variances between the final budget and the actual data.
- 2) The budget is adopted by the Board of Alderman. Amendments can be made of the approval of the Board. A budgetary comparison is presented for the major governmental funds consistent with accounting principles generally accepted in the United States of America
- 3) Section 21-35-15, Mississippi Code (Ann. 1972) explains that expenditures shall be kept within the budget "except for capital outlay."

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PETAL, MISSISSIPPI
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Presented below is Section 21-17-5 of Mississippi Code

Unless otherwise provided by law, before entering upon the duties of their respective offices, the alderman or councilmen of every municipality of this state shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to five percent (5%) of the sum of all municipal taxes shown by the assessment tolls and the levies to have been collectible in the municipality for the year immediately preceding the commencement of the term of office of said alderman or councilman; however, such bond shall not exceed the amount of One Hundred Thousand Dollars (\$100,000.00)

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Harold G. Marx, Jr	Mayor	Scott Municipal Insurance	\$100,000
David J. Clayton	Alderman	Scott Municipal Insurance	\$100,000
James C. Bullock	Alderman	Scott Municipal Insurance	\$100,000
Anthony T. Ducker	Alderman	Scott Municipal Insurance	\$100,000
Steven Stringer	Alderman	Scott Municipal Insurance	\$100,000
Clint L. Moore	Alderman	Scott Municipal Insurance	\$100,000
William H. King IV	Alderman	Scott Municipal Insurance	\$100,000
Bradely S. Amacker	Alderman	Scott Municipal Insurance	\$100,000
Melissa Martin	City Clerk	Scott Municipal Insurance	\$50,000
Leonard Fuller	Police Chief	Scott Municipal Insurance	\$50,000
Lynn Campfield	Deputy Clerk	Scott Municipal Insurance	\$50,000
Wendy Lampton	Deputy Clerk	Scott Municipal Insurance	\$50,000
Michell Strebeck	Court Clerk	Scott Municipal Insurance	\$50,000
Anyone handling money		Scott Municipal Insurance	\$50,000

APPROVED
OCT 25 2017

WRIGHT CPA GROUP, PLLC



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

September 27, 2017

Honorable Mayor, Board of Aldermen, City Clerk
City of Petal, Mississippi

We have audited the basic financial statements of the City of Petal as of and for the year ended September 30, 2016, and have issued our report thereon dated September 27, 2017. We have 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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The result of those procedures and our audit of the basic financial statements disclosed following noncompliance with state laws and regulations:

1. Analysis of amended budget disclosed material unfavorable variances between final budget and actual expenses and revenue. We recommend that management pays closer attention to budget preparation.
2. The City exceeded 15% debt limitation per Section 21-33-303 of Mississippi Code. We recommend that the management refrain from further borrowing until the City is in compliance with debt limitations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC
Certified Public Accountants
Hattiesburg, Mississippi