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CITY OF PETAL, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CITY OF PETAL, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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SEPTEMBER 30, 2019

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Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
City Council 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 discretely presented component unit and the aggregate remaining fund information of the City of Petal, Mississippi as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Petal, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

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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 general fund and the aggregate remaining fund information of the City of Petal, Mississippi as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of the Municipalities' Proportionate Share of the Net Pension Liability, and the Schedule of Municipal Contributions on pages 8-15, 59, and 60-61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Petal, Mississippi's financial statements. The accompanying Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of the City of Petal, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Petal, Mississippi's internal control over financial reporting and compliance.

Holt & Associates, PLLC

September 17, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

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, 2019. 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 2019 were as follows:

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2019 by \$13,507,406 (net position), which represents an increase of \$1,313,433 from the prior year. This is due primarily from operations.

As of September 30, 2019, the City's governmental funds reported a combined fund balance of \$3,525,666, which represents an increase of \$893,145 from the prior year.

During the fiscal year the City decreased its net long-term debt by \$536,217 as a result of normal scheduled debt payments of \$1,563,863, and obtaining \$350,000 in capital leases for equipment financing and \$350,000 in SRF loan for emergency water and sewer repairs.

The governmental activities revenues and transfers in exceeded expenses and transfers out by approximately \$992,465 resulting in a net increase in net position. The City's business-type activities revenues exceeded expenses and transfers out by approximately \$320,968.

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

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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 Position, 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 eight 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.

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

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 and 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.

Supplementary Information

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

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 \$13,507,406 as of September 30, 2019.

The City's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2019	2018	2019	2018	2019	2018		
Current and other assets	\$ 8,601,029	\$ 7,534,210	\$ 3,511,484	\$ 2,279,374	\$ 12,112,513	\$ 9,813,584	\$ 2,298,929	23.43%
Capital assets	19,077,076	19,482,706	14,155,318	14,676,841	33,232,394	34,159,547	(927,153)	-2.71%
Total assets	27,678,105	27,016,916	17,666,802	16,956,215	45,344,907	43,973,131	1,371,776	3.12%
Deferred outflow of resources	1,286,719	1,091,681	111,966	63,387	1,398,685	1,155,068	243,617	21.09%
Long-term debt	14,576,083	15,726,241	498,066	211,771	15,074,149	15,938,012	(863,863)	-5.42%
Net pension liability	10,498,654	9,415,755	1,112,048	997,814	11,610,702	10,413,569	1,197,133	11.50%
Other liabilities	766,262	705,083	750,610	713,548	1,516,872	1,418,631	98,241	6.93%
Total liabilities	25,840,999	25,847,079	2,360,724	1,923,133	28,201,723	27,770,212	431,511	1.55%
Deferred inflow of resources	4,978,502	5,101,538	55,962	62,476	5,034,464	5,164,014	(129,550)	-2.51%
Net position:								
Net investment in capital assets:	4,726,321	4,012,370	13,657,252	14,159,106	18,383,573	18,171,476	212,097	1.17%
Restricted	(6,573,876)	(6,852,390)	1,697,709	874,887	(4,876,167)	(5,977,503)	1,101,336	18.42%
Unrestricted	(1,847,555)	(2,840,020)	15,354,961	15,033,993	13,507,406	12,193,973	1,313,433	10.77%
Total net position								

By far the largest portion of City's net position (149%) reflects its investment in capital assets less related outstanding debt. The City completed the street paving projects and other infrastructure improvements from bond proceeds and other revenues which is reflected in the increase in capital assets in the governmental activities.

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

Changes in net position

Governmental activities increased the City's net position by \$992,465 and the business activities increased the City's net position by \$320,968. The key elements of these changes are reported in the following statement. These decreases are primarily result of operations.

Table 2

Condensed Statement of Changes in Net

Position	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2019	2018	2019	2018	2019	2018		
Program Revenues:								
Charges for Services	\$ 500,644	\$ 509,060	\$ 4,762,481	\$ 4,716,690	\$ 5,263,125	\$ 5,225,750	\$ 37,375	0.72%
Grants and Donations	1,593,962	591,537	-	-	1,593,962	591,537	1,002,425	169.46%
General Revenues:								
Property Taxes	4,695,466	4,613,554	-	-	4,695,466	4,613,554	81,912	1.78%
Sales Taxes	2,757,913	2,674,550	-	-	2,757,913	2,674,550	83,363	3.12%
Other Taxes and Other	664,489	740,826	46,235	11,472	710,724	752,298	(41,574)	-5.53%
Gain (loss) sale of Capital Assets	31,290	(5,616)	48	(30,042)	31,338	(35,658)	66,996	-187.88%
Total Revenues	10,243,764	9,123,911	4,808,764	4,698,120	15,052,528	13,822,031	1,230,497	8.90%
Program Expenses:								
General Government	1,150,664	1,091,613	-	-	1,150,664	1,091,613	59,051	5.41%
Court	265,924	302,045	-	-	265,924	302,045	(36,121)	-11.96%
Public Safety	4,412,104	4,209,237	-	-	4,412,104	4,209,237	202,867	4.82%
Public Works	1,581,490	1,944,183	-	-	1,581,490	1,944,183	(362,693)	-18.66%
Culture & Recreation	1,046,822	1,333,100	-	-	1,046,822	1,333,100	(286,278)	-21.47%
Interest and Other Charges	466,635	543,629	-	-	466,635	543,629	(76,994)	-14.16%
Pension expense	1,259,347	1,215,649	127,873	115,416	1,387,220	1,331,065	56,155	4.22%
Water and Sewer	-	-	2,519,968	3,155,981	2,519,968	3,155,981	(636,013)	-20.15%
Solid Waste	-	-	908,268	876,254	908,268	876,254	32,014	3.65%
Total Expenses	10,182,986	10,639,456	3,556,109	4,147,651	13,739,095	14,787,107	(1,048,012)	-7.09%
Increase(decrease) in net assets	60,778	(1,515,545)	1,252,655	550,469	1,313,433	(965,076)	2,278,509	236.10%
before transfers and prior period	931,687	977,707	(931,687)	(931,075)	-	46,632	(46,632)	
Net transfers	992,465	(537,838)	320,968	(380,606)	1,313,433	(918,444)	2,231,877	
Change in Net Position	\$ 992,465	\$ (537,838)	\$ 320,968	\$ (380,606)	\$ 1,313,433	\$ (918,444)	\$ 2,231,877	

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

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 \$3,525,666, a increase of \$893,145. \$2,124,828, or 60%, 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 \$57,093. The fund balance of the Major Special Revenue fund - BP Settlement Fund showed an increase in the amount of \$722,387 and Other Governmental Funds showed an increase in the amount of \$113,665. These increases result primarily from operations and the funds received from the BP settlement.

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 \$1,697,709 is comprised of \$1,558,661 for the water and sewer and \$139,048 for the solid waste fund. User fees and charges were sufficient to cover costs this year. The increase in net position of \$306,948 for the water and sewer fund and increase of \$14,020 in 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 2019, 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 \$8,634,363; with the final budgeted amount being \$8,514,033; and with \$8,701,824 in actual revenue collections. The General Fund's original budgeted expenditures of \$8,706,413 were amended to \$8,939,116, with actual expenditures of \$8,550,754.

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the City has approximately \$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		
	2019	2018	2019	2018	2019	2018	Percentage Change
Land	\$ 613,225	\$ 597,495	\$ 21,994	\$ 21,994	\$ 635,219	\$ 619,489	0%
Buildings and improvements	4,119,150	4,273,442	263,774	247,424	4,382,924	4,520,866	-3.05%
Equipment	2,385,104	2,310,192	534,167	452,646	2,919,271	2,762,838	5.66%
Infrastructure	11,861,806	12,189,959	13,335,383	13,648,812	25,197,189	25,838,771	-2.48%
Totals	\$ 18,979,285	\$ 19,371,088	\$ 14,155,318	\$ 14,370,876	\$ 33,134,603	\$ 33,741,964	-1.80%

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

Debt

At year-end, the City had \$15,401,795 in bonds, notes, and leases outstanding compared to \$15,938,012 last year - a decrease of \$536,217.

	Governmental Activities		Business-type Activities		Totals		
	2019	2018	2019	2018	2019	2018	Percentage Change
General Obligation Bonds	\$ 13,582,000	\$ 14,710,000	\$ -	\$ -	\$ 13,582,000	\$ 14,710,000	-7.67%
SRF Emergency Loan	-	-	327,646	-	327,646	-	NA
Capital Leases	994,083	1,016,241	498,066	211,771	1,492,149	1,228,012	21.51%
Totals	\$ 14,576,083	\$ 15,726,241	\$ 498,066	\$ 211,771	\$ 15,401,795	\$ 15,938,012	-3.36%

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.

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MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2020 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 property tax rates for 2020.

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 119 West 8th Avenue, Petal, MS 39465.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PETAL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 3,512,679	\$ 2,647,953	\$ 6,160,632
Receivables, net of allowance for uncollectibles	4,955,645	42,225	4,997,870
Due from other funds	34,382	96,811	131,193
Unbilled revenue	-	395,184	395,184
Inventory, at cost	-	12,066	12,066
Other receivables	93,316	9,486	102,802
Prepaid items	5,007	-	5,007
Restricted Assets			
Customer deposits	-	307,759	307,759
Land	613,225	21,994	635,219
Capital assets, net	18,366,060	14,133,324	32,499,384
Capitalized interest and bond costs (net)	97,791	-	97,791
Total Assets	<u>27,678,105</u>	<u>17,666,802</u>	<u>45,344,907</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,061,391	111,966	1,173,357
Unamortized amount on debt refunding	225,328	-	225,328
Total Deferred Outflow of Resources	<u>1,286,719</u>	<u>111,966</u>	<u>1,398,685</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	350,086	450,725	800,811
Due to other funds	142,455	-	142,455
Other payables	76,799	22,288	99,087
Customer deposits	-	271,592	271,592
Accrued interest	140,940	-	140,940
Compensated absences	55,982	6,005	61,987
Noncurrent liabilities:			
Net pension liability	10,498,654	1,112,048	11,610,702
Debt due within one year	1,529,015	71,267	1,600,282
Debt due in more than one year	13,047,068	426,799	13,473,867
Total Liabilities	<u>25,840,999</u>	<u>2,360,724</u>	<u>28,201,723</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	530,502	55,962	586,464
Property taxes levied for subsequent year	4,448,000	-	4,448,000
Total Deferred Inflow of Resources	<u>4,978,502</u>	<u>55,962</u>	<u>5,034,464</u>
NET POSITION			
Net investment in capital assets	4,726,321	13,657,252	18,383,573
Unrestricted	(6,580,998)	1,704,830	(4,876,168)
Total Net Position	<u>\$ (1,854,677)</u>	<u>\$ 15,362,082</u>	<u>\$ 13,507,405</u>

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

CITY OF PETAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	\$ 1,150,664	\$ -	\$ 230,954	\$ -	\$ (919,710)		\$ (919,710)
Court	265,924	252,794	-	-	(13,130)		(13,130)
Public safety	4,412,104	82,559	400,308	-	(3,929,237)		(3,929,237)
Public works	1,581,490	-	197,103	765,597	(618,790)		(618,790)
Culture & recreation	1,046,822	165,291	-	-	(881,531)		(881,531)
Pension expense	1,259,347	-	-	-	(1,259,347)		(1,259,347)
Interest/other charges on long-term debt	466,635	-	-	-	(466,635)		(466,635)
Total governmental activities	<u>10,182,986</u>	<u>500,644</u>	<u>828,365</u>	<u>765,597</u>	<u>(8,088,380)</u>		<u>(8,088,380)</u>
Business-type activities							
Water & Sewer	2,519,968	3,848,782	-	-		\$ 1,328,814	1,328,814
Solid Waste	908,268	913,699	-	-		5,431	5,431
Pension expense	127,873	-	-	-		(127,873)	(127,873)
Total business-type activities	<u>3,556,109</u>	<u>4,762,481</u>	<u>-</u>	<u>-</u>		<u>1,206,372</u>	<u>1,206,372</u>
Total	<u>\$ 13,739,095</u>	<u>\$ 5,263,125</u>	<u>\$ 828,365</u>	<u>\$ 765,597</u>	<u>(8,088,380)</u>	<u>1,206,372</u>	<u>(6,882,008)</u>
General revenues:							
Property taxes					4,695,466	-	4,695,466
Sales taxes					2,757,913	-	2,757,913
Franchise taxes and privilege licenses					563,346	-	563,346
Transfers					931,687	(931,687)	-
Unrestricted investment earnings					69,609	46,235	115,844
Other					31,534	-	31,534
Gain/loss on sale of assets					31,290	48	31,338
Total general revenues					<u>9,080,845</u>	<u>(885,404)</u>	<u>8,195,441</u>
Change in net position					992,465	320,968	1,313,433
Net position - beginning					<u>(2,840,020)</u>	<u>15,033,993</u>	<u>12,193,973</u>
Net position - ending					<u>\$ (1,847,555)</u>	<u>\$ 15,354,961</u>	<u>\$ 13,507,406</u>

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

FUND FINANCIAL STATEMENTS

CITY OF PETAL
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Exhibit C

	General Fund	BP Settlement Funds SB2002	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Cash and other deposits	\$ 2,150,588	\$ 722,387	\$ 639,704	\$ 3,512,679
Franchise fees receivable	141,251	-	-	141,251
Fines receivable, net of \$2,300,000	58,023	-	-	58,023
Due from other governments	308,371	-	-	308,371
Property taxes levied for subsequent year	4,200,000	-	248,000	4,448,000
Prepaid Insurance	5,007	-	-	5,007
Due from other funds	101	-	34,281	34,382
Other receivables	93,226	-	90	93,316
	<u>6,956,567</u>	<u>722,387</u>	<u>922,075</u>	<u>8,601,029</u>
Total Assets	\$ 6,956,567	\$ 722,387	\$ 922,075	\$ 8,601,029
LIABILITIES AND OTHER CREDITS				
Accounts payable	\$ 350,086	\$ -	\$ -	\$ 350,086
Other payables	23,469	-	530	23,999
Insurance payable	52,800	-	-	52,800
Due to other funds	142,354	-	101	142,455
	<u>568,709</u>	<u>-</u>	<u>631</u>	<u>569,340</u>
Total Liabilities	568,709	-	631	569,340
DEFERRED INFLOWS OF RESOURCES				
Revenues not available - court fines	58,023	-	-	58,023
Property taxes levied for subsequent year	4,200,000	-	248,000	4,448,000
	<u>4,258,023</u>	<u>-</u>	<u>248,000</u>	<u>4,506,023</u>
FUND BALANCES:				
Nonspendable	5,007	-	-	5,007
Restricted	-	722,387	544,961	1,267,348
Assigned	-	-	128,483	128,483
Unassigned	2,124,828	-	-	2,124,828
	<u>2,129,835</u>	<u>722,387</u>	<u>673,444</u>	<u>3,525,666</u>
Total fund balances	2,129,835	722,387	673,444	3,525,666
Total liabilities, deferred inflows of resources and fund balances	\$ 6,956,567	\$ 722,387	\$ 922,075	\$ 8,601,029

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

CITY OF PETAL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Exhibit C-1

Total Fund Balance-Governmental Funds (Exhibit C)	\$ 3,525,666
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Amounts reported for governmental activities in the statement of net position 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 \$13,035,329	18,979,285
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Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds	58,023
--	--------

Bond issuance costs are deferred in the Statement of Net Position and amortized over the term of the bonds	97,791
--	--------

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	(10,498,654)
Compensated absences	(55,982)
Accrued interest expense	(140,940)

Deferred outflows and inflows of resources are applicable to future periods and, therefore are not reported in the funds:	
Unamortized amount on debt refunding	225,328
Deferred outflows of resources related to pensions	1,061,391
Deferred inflows of resources related to pensions	(530,502)

Long-term debt, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(14,576,083)
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Total Net Position-Governmental Activities (Exhibit A)	\$ <u>(1,854,677)</u>
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The notes to the 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, 2019

Exhibit D

	General Fund	BP Settlement Funds SB2002	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 4,140,099	\$ -	\$ 555,366	\$ 4,695,465
Licenses and fees	563,346	-	-	563,346
Intergovernmental revenue	3,341,773	750,000	260,104	4,351,877
Charges for services	503,960	-	-	503,960
Earnings on investments	44,181	13,325	12,103	69,609
Other	17,411	-	14,123	31,534
TOTAL REVENUE	8,610,770	763,325	841,696	10,215,791
EXPENDITURES				
General government	1,167,958	-	-	1,167,958
Court	284,622	-	-	284,622
Public safety	5,053,491	-	41,276	5,094,767
Public works	969,938	40,938	206,853	1,217,729
Culture & recreation	936,118	-	-	936,118
Debt service	-	-	-	-
Principal	464,429	-	1,035,729	1,500,158
Interest	39,633	-	416,543	456,176
Other	-	-	5,905	5,905
Total expenditures	8,916,189	40,938	1,706,306	10,663,433
Excess (deficiency) of revenues over expenditures	(305,419)	722,387	(864,610)	(447,642)
Other financing sources (uses):				
Transfers in	-	-	978,275	978,275
Transfers out	(46,585)	-	-	(46,585)
Proceeds from capital lease	350,000	-	-	350,000
Sale of capital assets	59,097	-	-	59,097
Total other financing sources (uses)	362,512	-	978,275	1,340,787
Net change in fund balance	57,093	722,387	113,665	893,145
Fund Balances - Beginning	2,072,742	-	559,779	2,632,521
Fund Balances - Ending	\$ 2,129,835	\$ 722,387	\$ 673,444	\$ 3,525,666

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

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, 2019

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)	\$ 893,145
1 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	672,184
Depreciation	(1,036,180)
2 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 position differs from the change in fund balance by the cost of the assets sold.	(27,807)
3 Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount that debt proceeds exceeded debt payments in the current period.	
Debt payments	1,500,158
Debt proceeds	(350,000)
4 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	(30,577)
Amortization of premium debt refunding	(13,827)
5 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.	(3,316)
6 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	21,381
Accrued interest	(4,554)
7 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	(1,259,347)
Recording of contributions made subsequent to the measurement date	631,205
Change in Net Position of Governmental Activities	<u>\$ 992,465</u>

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

CITY OF PETAL
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019

Exhibit E

	Business-type Activities - Enterprise funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 2,506,762	\$ 141,191	\$ 2,647,953
Customer receivables, net of allowance	35,802	6,423	42,225
Due from other funds	42,239	54,572	96,811
Unbilled revenue	317,319	77,865	395,184
Other receivables	5,641	3,845	9,486
Inventory, at cost	12,066	-	12,066
Restricted Assets			
Customer deposits	307,762	-	307,762
Land	21,994	-	21,994
Capital assets, net	14,116,434	16,887	14,133,321
Total Assets	17,366,019	300,783	17,666,802
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	111,966	-	111,966
Total deferred outflow of resources	111,966	-	111,966
LIABILITIES			
Accounts Payable	\$ 311,245	\$ 139,480	\$ 450,725
Other payables	16,920	5,368	22,288
Customer deposits	271,592	-	271,592
Compensated absences	6,005	-	6,005
Noncurrent liabilities:			
Lease payable	170,420	-	170,420
SRF loan payable	327,646	-	327,646
Net pension liability	1,112,048	-	1,112,048
Total Liabilities	2,215,876	144,848	2,360,724
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	55,962	-	55,962
Total deferred inflow of resources	55,962	-	55,962
NET POSITION			
Net investment in capital assets	13,640,362	16,887	13,657,249
Unrestricted	1,565,785	139,048	1,704,833
Total Net Position	\$ 15,206,147	\$ 155,935	\$ 15,362,082

The notes to the 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, 2019

Exhibit F

	<u>Business-type Activities - Enterprise funds</u>		
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
Operating revenues:			
Water and Sewer charges	\$ 2,989,295	\$ 891,065	\$ 3,880,360
Other fees and charges	231,488	22,634	254,122
Sewer treatment charges	<u>627,999</u>	<u>-</u>	<u>627,999</u>
	<u>3,848,782</u>	<u>913,699</u>	<u>4,762,481</u>
Operating expenses:			
Personnel services	505,640	47,438	553,078
Supplies and materials	265,390	-	265,390
Other services and charges	1,111,379	842,628	1,954,007
Capital outlay expenses	5,885	-	5,885
Interest expense and fees	32,167	-	32,167
Pension expense	127,873	-	127,873
Depreciation and amortization	499,773	761	500,534
Bad debt expense	<u>99,734</u>	<u>17,441</u>	<u>117,175</u>
Total operating expenses	<u>2,647,841</u>	<u>908,268</u>	<u>3,556,109</u>
Operating income (loss)	1,200,941	5,431	1,206,372
Other sources (uses)			
Investment earnings	44,234	2,004	46,238
Transfer to other funds	(938,275)	-	(938,275)
Transfer from other funds	-	6,585	6,585
Gain (Loss) on disposal of assets	<u>48</u>	<u>-</u>	<u>48</u>
	<u>(893,993)</u>	<u>8,589</u>	<u>(885,404)</u>
Change in net position	306,948	14,020	320,968
Total net position - beginning	<u>14,892,078</u>	<u>141,915</u>	<u>15,033,993</u>
Total net position - ending	<u>\$ 15,199,026</u>	<u>\$ 155,935</u>	<u>\$ 15,354,961</u>

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2019

Exhibit G

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash flow from operating activities:			
Cash received from customers (excluding deposit)	\$ 3,811,921	\$ 907,783	\$ 4,719,704
Cash paid to suppliers	(1,414,821)	(794,098)	(2,208,919)
Cash paid to employees	(567,251)	(47,438)	(614,689)
Net cash provided (used) by operating activities	<u>1,829,849</u>	<u>66,247</u>	<u>1,896,096</u>
Cash flow from noncapital financing activities:			
Transfer (to) from other funds	(938,275)	6,585	(931,690)
Net cash flows provided (used) by noncapital financing activities	<u>(938,275)</u>	<u>6,585</u>	<u>(931,690)</u>
Cash flow from capital financing activities:			
Proceeds from SRF loan	350,000	-	350,000
Payments on lease	(41,351)	-	(41,351)
Payments on loan	(22,354)	-	(22,354)
Net cash flows provided (used) by capital financing activities	<u>286,295</u>	<u>-</u>	<u>286,295</u>
Cash flow from investing activities:			
Purchase of assets	(287,940)	-	(287,940)
Sale of assets	3,015	-	3,015
Interest received	44,234	2,004	46,238
Net cash flows provided (used) by investing activities	<u>(240,691)</u>	<u>2,004</u>	<u>(238,687)</u>
Net increase (decrease) in cash for the year	937,178	74,836	1,012,014
Cash and restricted cash - October 1, 2018	<u>1,877,343</u>	<u>66,355</u>	<u>1,943,698</u>
Cash and restricted cash - September 30, 2019	<u>\$ 2,814,521</u>	<u>\$ 141,191</u>	<u>\$ 2,955,712</u>

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2019

Exhibit G (continued)

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Totals
Operating income (loss)	\$ 1,200,941	\$ 5,431	\$ 1,206,372
Adjustments to reconcile operating income to net cash provided by operating activities:			
Pension expense	127,873	-	127,873
Depreciation	499,773	761	500,534
Bad debt expense	99,734	17,441	117,175
(Increase) decrease in accounts receivable	(37,541)	(5,916)	(43,457)
(Increase) decrease in other assets	(75,810)	48,860	(26,950)
Increase (decrease) in other liabilities	(49,818)	-	(49,818)
Increase (decrease) in accounts payable	64,697	(330)	64,367
Net cash provided by operating activities	<u>\$ 1,829,849</u>	<u>\$ 66,247</u>	<u>\$ 1,896,096</u>
Other Required Disclosures:			
Interest paid	<u>\$ 32,167</u>	<u>\$ -</u>	

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

CITY OF PETAL
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2019

Exhibit H

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 183
Due from other funds	<u>11,262</u>
Total Assets	<u>\$ 11,445</u>
LIABILITIES	
Other liability	<u>\$ 11,445</u>
Total Liabilities	<u>\$ 11,445</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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:

- | | |
|--------------------------|---------------------------|
| * General Administration | |
| * Judicial | * Public Works |
| * Public Safety | * Water and Sewer Utility |
| * Culture and Recreation | * 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 Separate 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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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, 2019

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.

BP Settlement Fund SB 2002 – This is a special revenue fund. It accounts for the City’s allocation of funds from the BP Oil Spill settlement.

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.
- **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 Fund – This fund accounts for the activities of the City’s water and sewer operations.

Solid Waste Fund – 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, 2019

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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

E. Encumbrances

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

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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

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.

Deferred outflows related to charges on refunding bonds	\$ 225,328
Deferred outflows related to pensions	\$ 1,173 357

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.

Deferred inflows related to pensions	\$ 586 464
Property taxes levied for subsequent year	\$4,448,000

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 customer meter deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited to the terms of the customer refundable deposit agreement.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 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, 2019

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 \$61,987 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. Inter-fund Transactions and Balances.

Inter-fund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) inter-fund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 4 for details for inter-fund transactions, including receivables and payables at year-end.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information and the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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 is a limitation imposed by a formal action of the City Board. Assigned fund balance is a limitation imposed by the intent of the City Board to use for a specific purpose, but are neither restricted nor committed. Unassigned fund balance 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.

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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

R. 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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The millage rates levied were:

	<u>September 30, 2019</u>
<u>City of Petal</u>	
General Fund	39.48
GO Bond Refunding	2.04
5.0 M GO Bond Debt Service	3.76
Library	<u>0.93</u>
Total City Mills	<u>46.21</u>
 <u>Petal Municipal Separate School District</u>	
District Maintenance	55.00
School Building Program	2.83
School Shortfall Note	1.34
School Limited Tax Note	<u>2.09</u>
Total School District Mills	<u>61.26</u>

S. 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.

Budgetary Comparisons

Under GASB 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds. However, the BP Settlement Funds SB2002 Fund was not budgeted and is a violation of state law.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

T. 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.

NOTE 2- CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions are 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 \$6,468,574, and the bank balance was \$6,476,367.

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 City.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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	\$ 141,251	\$ -	\$ 971,884	\$ 198,710	\$ 1,311,845
Court Fine Receivable	2,358,023	-	-	-	2,358,023
Other Receivable	93,226	90	5,641	3,845	102,802
Property Tax Receivable	4,200,000	248,000	-	-	4,448,000
Intergovernmental	308,371	-	-	-	308,371
Gross Receivables	7,100,871	248,090	977,525	202,555	8,529,041
Less: allowance for uncollectables	(2,300,000)	-	(936,082)	(192,287)	(3,428,369)
Total net receivables	<u>\$ 4,800,871</u>	<u>\$ 248,090</u>	<u>\$ 41,443</u>	<u>\$ 10,268</u>	<u>\$ 5,100,672</u>

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	<u>\$ 4,200,000</u>	<u>\$ 248,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,448,000</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 101
Other Governmental Funds	General Fund	34,281
Water and Sewer Enterprise Fund	General Fund	42,239
Solid Waste Fund	General Fund	54,572
Fudiciary Funds	General Fund	11,262
Total		<u>\$ 142,455</u>

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 40,000
Solid Waste	General Fund	6,585
Other Governmental Funds	Water and Sewer Fund	938,275

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5- CAPITAL ASSETS

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

Governmental Activities	Balance 10/1/2018	Adjustments	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated:					
Land and easements	\$ 597,495		15,730	-	613,225
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	597,495	-	15,730	-	613,225
Capital assets being depreciated:					
Buildings	3,672,922	-	19,000	-	3,691,922
Improvements other than buildings	2,827,591	-	-	-	2,827,591
Equipment:					
Office & Other Equipment	384,113	-	-	-	384,113
Motor vehicles	2,370,856	-	414,115	252,361	2,532,610
Operating Equipment	1,978,055	-	16,490	36,173	1,958,372
Infrastructure	19,799,932	-	206,849	-	20,006,781
Total assets being depreciated	31,033,469	-	656,454	288,534	31,401,389
Totals at historical cost	31,630,964	-	672,184	288,534	32,014,614
Less accumulated depreciation					
Buildings	(1,001,704)	-	(71,965)	-	(1,073,669)
Improvements other than buildings	(1,225,367)	-	(101,327)	-	(1,326,694)
Equipment:					
Office & Other Equipment	(209,334)	-	(26,523)	-	(235,857)
Motor vehicles	(1,268,763)	-	(170,330)	(228,169)	(1,210,924)
Operating Equipment	(944,735)	-	(131,033)	(32,558)	(1,043,210)
Infrastructure	(7,609,973)	-	(535,002)	-	(8,144,975)
Total accumulated depreciation	(12,259,876)	-	(1,036,180)	(260,727)	(13,035,329)
Governmental activities capital assets, net	\$ 19,371,088	\$ -	\$ (363,996)	\$ 27,807	\$ 18,979,285

Depreciation expense was charged to the following governmental functions:

General government	\$ 6,933
Public Safety	230,074
Public Works, which includes the depreciation of general infrastructure assets	616,328
Culture and Recreation	182,845
Total governmental activities depreciation expense	\$ 1,036,180

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5- CAPITAL ASSETS (cont)

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

Business-type Activities	Balance 10/1/2018	Adjustments	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated:					
Land and easements	\$ 21,994	-	-	-	21,994
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	21,994	-	-	-	21,994
Water and Sewer					
Capital assets being depreciated:					
Buildings	335,111	-	24,550	-	359,661
Improvements other than buildings	1,901	-	-	-	1,901
Office Furniture/Equipment	4,000	-	-	-	4,000
Water/Sewer systems	27,276,809	-	115,976	-	27,392,785
Vehicles	434,821	-	49,995	35,371	449,445
Operating Equipment	696,080	-	97,419	-	793,499
Total assets being depreciated	28,748,722	-	287,940	35,371	29,001,291
Totals at historical cost	28,770,716	-	287,940	35,371	29,023,285
Less accumulated depreciation					
Buildings	(87,687)	-	(8,203)	-	(95,890)
Improvements other than buildings	(1,901)	-	-	-	(1,901)
Office Furniture/Equipment	(3,600)	-	-	-	(3,600)
Water/Sewer systems	(13,633,068)	-	(429,094)	-	(14,062,162)
Vehicles	(201,892)	-	(23,489)	(32,404)	(192,977)
Operating Equipment	(489,336)	-	(38,987)	-	(528,323)
Total accumulated depreciation	(14,417,484)	-	(499,773)	(32,404)	(14,884,853)
Water and Sewer capital assets, net	14,353,232	-	(211,833)	2,967	14,138,432
Solid Waste:					
Capital assets being depreciated:					
Infrastructure	8,896	-	-	-	8,896
Operating Equipment	122,869	-	-	-	122,869
Vehicles	-	-	-	-	-
Total assets being depreciated	131,765	-	-	-	131,765
Less accumulated depreciation					
Infrastructure	(3,825)	-	(311)	-	(4,136)
Operating Equipment	(110,296)	-	(450)	-	(110,746)
Vehicles	-	-	-	-	-
Total accumulated depreciation	(114,121)	-	(761)	-	(114,882)
Solid Waste capital assets, net	17,644	-	(761)	-	16,883
Total Business-type activities	\$ 14,370,876	\$ -	\$ (212,594)	\$ 2,967	\$ 14,155,315

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6- LONG-TERM LIABILITIES

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

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019	Amount Due Within One Year
<u>GENERAL OBLIGATION BONDS</u>					
General Obligation Bonds, Series 2014 \$1.0M, 2.25%, matures 2024	\$ 635,000	\$ -	\$ (98,000)	\$ 537,000	\$ 101,000
General Obligation Refunding Bond, Series 2012 \$2.155M, 2.00%-2.375%, matures 2024	1,080,000	-	(170,000)	910,000	175,000
General Obligation Refunding Bond, Series 2015 \$3.1M, 2.0% - 3.0%, matures 2026	2,525,000	-	(280,000)	2,245,000	290,000
General Obligation W&S Refunding Bond, Series 2015 Refunding Series 2006 & 2007 W&S Revenue Bonds \$6.510M, 2.5% - 4.0%, matures 7/1/2032	6,510,000	-	-	6,510,000	-
General Obligation W&S Refunding Bond, Series 2016 Refunding Series 2006 & 2007 W&S Revenue Bonds \$4.885M, 2.0% - 4.0%, matures 7/1/2027	3,960,000	-	(580,000)	3,380,000	595,000
	<u>\$ 14,710,000</u>	<u>\$ -</u>	<u>\$ (1,128,000)</u>	<u>\$ 13,582,000</u>	<u>\$ 1,161,000</u>
<u>CAPITAL LEASES</u>					
Street Equipment Tractors Lease 2.85%, matures 3/2022,	\$ 225,983	\$ -	\$ (54,107)	\$ 171,876	\$ 55,669
Radio Lease 2.34%, matures	11,594	-	(5,729)	5,865	5,865
Equipment Pickups Lease 3.02%, matures 6/2022	123,007	-	(24,181)	98,826	23,834
Police Car Lease 2.22%, matures 3/2021	228,685	-	(76,856)	151,829	76,531
Musco Sports Lighting 5.45%, matures 9/12/2021	125,032	-	(39,442)	85,590	41,646
Fire Truck Lease 2.11%, matures 8/12/2020	81,919	-	(40,528)	41,391	41,391
Street Equipment Lease 2.41%, matures 5/15/2021	92,956	-	(30,250)	62,706	30,980
Fire Department Radios 2.39%, Matures 4/27/20	51,386	-	(25,386)	26,000	26,000
Street Equipment Lease 1.89%, matures 3/15/2019	75,679	-	(75,679)	-	-
Fire Truck Lease 3.31%, matures 12/15/2023	-	350,000	-	350,000	66,099
	<u>\$ 1,016,241</u>	<u>\$ 350,000</u>	<u>\$ (372,158)</u>	<u>\$ 994,083</u>	<u>\$ 368,015</u>
TOTAL GOVERNMENTAL PURPOSE DEBT	<u>\$ 15,726,241</u>	<u>\$ 350,000</u>	<u>\$ (1,500,158)</u>	<u>\$ 14,576,083</u>	<u>\$ 1,529,015</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6- LONG-TERM LIABILITIES (cont)

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

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019	Amount Due Within One Year
<u>Emergency SRF Loan</u>					
SRF Loan	\$ -	\$ 350,000	\$ (22,354)	\$ 327,646	\$ 30,764
3.02%, matures 6/29/2022	\$ -	\$ 350,000	\$ (22,354)	\$ 327,646	\$ 30,764
<u>CAPITAL LEASES</u>					
Equipment Lease	\$ 211,771	\$ -	\$ (41,351)	\$ 170,420	\$ 40,503
3.02%, matures 6/29/2022	\$ 211,771	\$ -	\$ (41,351)	\$ 170,420	\$ 40,503
BUSINESS-TYPE ACTIVITY DEBT	\$ 211,771	\$ 350,000	\$ (63,705)	\$ 498,066	\$ 71,267

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.

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

\$1.0M G.O. Bonds, Series 2014		
	Principal	Interest
2020	101,000	12,083
2021	104,000	9,810
2022	107,000	7,470
2023	111,000	5,063
2024	114,000	2,565
	\$ 537,000	\$ 36,991

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6- LONG-TERM LIABILITIES (cont)

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			\$3.1M GO Refunding Series 2015		
	Principal	Interest		Principal	Interest
2020	175,000	19,819	2020	290,000	67,350
2021	180,000	16,319	2021	300,000	58,650
2022	185,000	12,719	2022	310,000	49,650
2023	185,000	8,556	2023	320,000	40,350
2024	185,000	4,394	2024	330,000	30,750
			5 year	695,000	31,500
	<u>\$ 910,000</u>	<u>\$ 61,807</u>		<u>\$ 2,245,000</u>	<u>\$ 278,250</u>

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%. 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%.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6- LONG-TERM LIABILITIES (cont)

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

\$6,510,000 GO W & S Refunding Bonds, Series 2015			\$4.885M GO W & S Refunding Bonds, Series 2016		
	Principal	Interest		Principal	Interest
2020		247,875	2020	595,000	95,700
2021		247,875	2021	620,000	83,800
2022		247,875	2022	635,000	71,400
2023	405,000	247,875	2023	285,000	52,350
2024	430,000	237,750	2024	295,000	43,800
5 year	3,230,000	931,400	5 year	950,000	73,950
5 year	2,445,000	174,600			
	\$ 6,510,000	\$ 2,335,250		\$ 3,380,000	\$ 421,000

Capital Leases

The City currently has nine outstanding capital lease obligations. These include separate leases for street equipment, fire truck, police vehicles, ballfield 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		
	Principal	Interest
2020	368,015	29,253
2021	300,137	19,259
2022	153,583	9,952
2023	97,869	5,034
2024	74,478	2,465
	\$ 994,082	\$ 65,963

Equipment and vehicles under capital leases are as follows:

Equipment and Vehicles	\$1,923,529
Accumulated depreciation	164,845
Net Book value	<u>\$1,758,684</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 were refunded with general obligation bonds in April 2016. These refunding issues remove the liability from the

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6- LONG-TERM LIABILITIES (cont)

water and sewer fund to the governmental activities. Water and Sewer revenues are pledged on the 2015 Series. The City plans to meet these general obligations with operating transfers from the water and sewer revenue.

Capital Leases

The City currently has one outstanding capital lease for water and sewer vehicles.

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

	Principal	Interest
2020	40,503	5,147
2021	41,727	3,923
2022	42,987	2,663
2023	45,203	448
	-	-
	<u>\$ 170,420</u>	<u>\$ 12,181</u>

Equipment and vehicles under capital leases are as follows:

Equipment and Vehicles	\$222,958
Accumulated depreciation	<u>27,870</u>
Net Book value	<u>\$195,088</u>

Loans

The City borrowed \$350,000 for emergency repairs from the State Revolving Fund loan program.

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

SRF Emergency Loan		
	Principal	Interest
2020	30,764	12,647
2021	32,017	11,393
2022	33,322	10,089
2023	34,679	8,731
2024	36,092	7,318
5 year	<u>160,772</u>	<u>13,958</u>
	<u>\$ 327,646</u>	<u>\$ 64,136</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6- LONG-TERM LIABILITIES (cont)

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.

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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7-LIMITATIONS ON INDEBTEDNESS (cont)

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

Authorized Debt Limit	15 Percent	20 Percent
Assessed valuation at fiscal year ended September 30, 2019 (\$103,332,904)	\$ 15,499,936	\$ 20,666,581
Present debt subject to 15% limitation	(8,415,355)	-
Present debt subject to 20% limitation including debt subject to 15% limitation	-	(15,074,149)
Margin for further debt under respective limits	<u>\$ 7,084,581</u>	<u>\$ 5,592,432</u>

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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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, 2019 was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$697,792, \$651,384, and \$573,024, respectively, which equaled the required contributions for each year.

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

At September 30, 2019, the City reported a liability of \$11,610,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.0660450 percent.

For the year ended September 30, 2019, the City recognized pension expense of \$1,387,220. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,515	\$ 10,582
Net difference between projected and actual earnings on pension plan investments	-	575,882
Changes of assumptions	113,565	-
Change in proportionate share	878,829	-
City contributions subsequent to the measurement date	174,448	-
Total	<u>\$ 1,173,357</u>	<u>\$ 586,464</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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

Year ended September 30:

2020	233,374
2021	95,250
2022	136,830
2023	(53,009)
	<u>\$ 412,445</u>

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

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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>
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global	12.00%	5.00%
Debt Securities	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash Equivalents	1.00%	0.25%
	<u>100.00%</u>	

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 15,262,670	\$ 11,610,702	\$ 8,596,330

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 in 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.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10-RISK MANAGEMENT (cont)

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.

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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions which existed after the Statement of Position date require disclosure in the accompanying notes. Management of City of Petal evaluated the activity of the City through August 18, 2020 (date financial statements were available) and determined the no subsequent events require disclosure in the notes to the financial statements.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12-SUBSEQUENT EVENTS (cont)

On March 11, 2020 the World Health Organization declared Covid-19 a pandemic. In response, the United States has caused business disruption through mandated and voluntary restrictions on the travel and lodging industry. While the disruption is currently expected to be temporary, there is considerable uncertainty regarding the duration of these restrictions. The City has not experienced a decline in revenues for the months following the disruption. However, the long-term financial impact and duration cannot be reasonably estimated at this time. Management believes reserves are sufficient for the short-term.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A

CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 4,123,957	\$ 4,123,957	\$ 4,165,944	\$ -	\$ 41,987
License and permits	693,500	633,500	638,838	(60,000)	5,338
Intergovernmental revenues	2,701,906	2,701,906	2,773,428	-	71,522
Charges for services	219,500	220,764	163,628	1,264	(57,136)
Fines and forfeitures	306,500	246,500	256,110	(60,000)	9,610
Other	589,000	587,406	703,876	(1,594)	116,470
TOTAL REVENUES	8,634,363	8,514,033	8,701,824	(120,330)	187,791
EXPENDITURES					
General Government	1,127,947	1,259,171	1,152,227	(131,224)	106,944
Judicial Department	315,593	305,593	284,622	10,000	20,971
Police Department	2,196,113	2,214,227	2,131,612	(18,114)	82,615
Fire Department	2,538,874	2,588,874	2,534,585	(50,000)	54,289
Building Inspection	202,740	202,740	186,096	-	16,644
Street Department	1,390,668	1,362,668	1,279,066	28,000	83,602
Recreation	788,098	794,688	774,730	(6,590)	19,958
Senior/Cultural Center	114,751	114,751	112,201	-	2,550
Civic Center	85,629	96,404	95,615	(10,775)	789
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	8,760,413	8,939,116	8,550,754	(178,703)	388,362
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(126,050)	(425,083)	151,070	(299,033)	576,153
Other Financing Sources (Uses)	-	(46,585)	(46,585)	(46,585)	-
NET CHANGE IN FUND BALANCE	\$ (126,050)	\$ (471,668)	104,485	\$ (345,618)	\$ 576,153
Adjustments to GAAP Basis					
Revenue Accruals			318,043		
Expense Accruals			(365,435)		
NET CHANGE IN FUND BALANCE - GAAP BASIS					
			57,093		
FUND BALANCE-BEGINNING					
			2,072,742		
FUND BALANCE-ENDING					
			\$ 2,129,835		

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

City of Petal

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0660%	0.0626%	0.0559%	0.056%	0.056%
City's proportionate share of the net pension liability	\$ 11,610,702	\$ 10,413,569	\$ 9,289,651	\$ 10,002,998	\$ 8,656,496
City's covered - employee payroll	\$ 4,318,020	\$ 4,135,771	\$ 3,638,248	\$ 3,530,952	\$ 3,500,889
City's proportionate share of the net pension liability as a percentage of its covered - employee payroll	268.890%	251.793%	255.333%	283.295%	247.266%
Plan fiduciary net position as a percentage of the total pension liability	61.588%	62.535%	61.490%	57.468%	61.704%

* The amounts presented for each fiscal year were determined as of the measurement date of June 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 September 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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

City of Petal
Required Supplementary Information

Schedule of the City's Contributions

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 697,792	\$ 651,384	\$ 573,024	\$ 556,125	\$ 551,390
Contributions in relation to the contractually required contribution	697,792	651,384	573,024	556,125	551,390
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered - employee payroll	4,318,020	4,135,771	3,638,248	3,530,952	3,500,889
Contributions as a percentage of covered-employee payroll	16.16%	15.75%	15.75%	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 September 30, 2015, 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, 2019

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."

Pension Schedules

(1) Changes of assumptions

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2017 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from
- 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected using Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.

- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

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

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

**CITY OF PETAL, MISSISSIPPI
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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
Bradley S. Amacker	Alderman	Scott Municipal Insurance	\$100,000
Melissa Martin	City Clerk	Scott Municipal Insurance	\$50,000
Matthew Hiatt	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

CITY OF PETAL, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Honorable Mayor, Members of the
City Council and City Clerk
City of Petal, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Petal, Mississippi, as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise City of Petal, Mississippi's basic financial statements, and have issued our report thereon dated September 17, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, Mississippi
September 17, 2020



HOLT & ASSOCIATES, PLLC

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

Honorable Mayor, Members of the
City Council and City Clerk
City of Petal, Mississippi

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Petal, Mississippi as of and for the year ended September 30, 2019, and have issued our report thereon dated September 17, 2020. We conducted our audit in accordance with generally accepted auditing standards 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 results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendation and your response are as follows:

Finding #1: General fund actual expenditures for the fire department were in excess of the approved resolution in the board minutes budgeted expenditures by \$55,829. The resolution in the board minutes containing the amended budget did not include the line item for the fire department capital outlay. However, the total general fund amended budget did include this line item and therefore, the general fund expenditures in total did not exceed the budget.

Recommendation: Amended budgets should be reviewed by a second individual independent of the budgeting process

Response: Line item detail was left off of the amending resolution due to a clerical error. In the future, Amendments will be verified by the Deputy City Clerk once prepared by the City Clerk.

Finding #2: The special revenue fund "BP Settlement Funds SB2002 Fund was not budgeted as required by state law.

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Recommendation: All funds required by state law to be budgeted should be budgeted as part of the City's formal budgeting process.

Response: SB2002 Funds were originally received into the Road and Bridge Fund and would have been included in an amendment to that fund. However, upon finding there had to be a separate fund for the money, the money and interest gained was moved to 106 - SB2002 Fund. Monies were spent according to the bill and all quarterly reports were submitted to the state. The 106 fund was budgeted in the 2019-2020 fiscal year and the majority of funds were spent during that fiscal year.

This report is intended solely for the information and use of the management, City officials and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holt & Associates, PLLC

Laurel, Mississippi
September 17, 2020