

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

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

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

***CITY OF PETAL, MISSISSIPPI***

***FINANCIAL STATEMENTS***

***SEPTEMBER 30, 2022***

**CITY OF PETAL, MISSISSIPPI**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Petal, Mississippi's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of the City of Petal, Mississippi as of September 30, 2022, 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.

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

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

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 7-14) and budgetary comparison information, the Schedule of the Municipalities' Proportionate Share of the Net Pension Liability, and the Schedule of Municipal Contributions (pages 51-54), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

The supplementary 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 June 16, 2023, 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*

Laurel, MS

June 16, 2023

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)***

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

The following discussion and analysis of The City of Petal's financial performance provides an overview of the City's financial activities for the year ended September 30, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2022 by \$23,201,300 (net position), which represents an increase of \$3,426,501 from the prior year, including a prior period adjustment of \$66,936. This is due primarily from operation of the City.
- The governmental activities revenues and transfers in exceeded expenses and transfers out by approximately \$2,889,127 resulting in a net increase in net position. The City's business-type activities revenues exceeded expenses and transfers out by approximately \$470,438.
- As of September 30, 2022, the City's governmental funds reported a combined fund balance of \$8,700,605, which represents an increase of \$2,069,867, including a prior period adjustment of \$66,936 from the prior year. The unrestricted and unassigned portion of this fund balance is \$3,953,055. The City's enterprise funds reported a combined unrestricted net position of \$4,361,296.
- During the fiscal year the City decreased its net long-term debt by \$899,806 as a result of normal scheduled debt payments and refinancing exceeding new borrowings.

**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 finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 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.



City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

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 multiple individual governmental funds including the “Petal Public Improvement Corporation” which is a blended component unit of the City. The general fund is always considered a major fund and is reported separately along with any other major special revenue funds. The remaining governmental funds are combined into a single, aggregated presentation.

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

**Proprietary funds** – The City maintains only one type of proprietary funds. Enterprise funds are reported in the same way as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprises funds to account for its water and sewer fund and solid waste fund both of which are considered major funds

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

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City’s own functions. These funds are reported using the accrual basis of accounting. The city is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

**Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**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, Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions (PERS) 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 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 a Schedule of Surety Bonds for Municipal Officials as requested by the Mississippi State Auditors Office.

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

**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 \$23,201,300 as of September 30, 2022.

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

**Table 1**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2022	2021	2022	2021	2022	2021		
Current and other assets	\$ 17,307,128	\$ 13,457,765	\$ 6,214,505	\$ 5,316,751	\$ 23,521,633	\$ 18,774,516	\$ 4,747,117	25.28%
Capital assets	17,859,819	17,561,483	13,333,486	13,537,550	31,193,305	31,099,033	94,272	0.30%
Total assets	35,166,947	31,019,248	19,547,991	18,854,301	54,714,938	49,873,549	4,841,389	9.71%
Deferred outflow of resources	2,419,542	1,848,955	200,787	176,207	2,620,329	2,025,162	595,167	29.39%
Long-term debt	10,860,071	11,638,367	234,060	355,571	11,094,131	11,993,938	(899,807)	-7.50%
Net pension liability	11,364,806	8,147,618	1,191,214	868,449	12,556,020	9,016,067	3,539,953	39.26%
Other liabilities	3,284,599	1,918,029	754,997	462,930	4,039,596	2,380,959	1,658,637	69.66%
Total liabilities	25,509,476	21,704,014	2,180,271	1,686,950	27,689,747	23,390,964	4,298,783	18.38%
Deferred inflow of resources	6,336,435	8,379,674	107,785	353,274	6,444,220	8,732,948	(2,288,728)	-26.21%
Net position:								
Net investment in capital assets:	7,451,752	6,087,290	13,099,426	13,181,979	20,551,178	19,269,269	1,281,909	6.65%
Restricted	3,716,100	-	-	-	3,716,100	-	3,716,100	100.00%
Unrestricted	(5,427,274)	(3,302,775)	4,361,296	3,808,305	(1,065,978)	505,530	(1,571,508)	310.86%
Total net position	\$ 5,740,578	\$ 2,784,515	\$ 17,460,722	\$ 16,990,284	\$ 23,201,300	\$ 19,774,799	\$ 3,426,501	17.33%

By far the largest portion of City's net position (88.58%) reflects its investment in capital assets less related outstanding debt.

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

**Changes in net position**

Governmental activities increased the City's net position by \$2,956,063 and the business activities increased the City's net position by \$470,438. The key elements of these changes are reported in the following statement. These increases are primarily result of operations.

**Table 2**

**Condensed Statement of Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2022	2021	2022	2021	2022	2021		
Program Revenues:								
Charges for Services	\$ 616,792	\$ 615,908	\$ 5,262,841	\$ 5,125,682	\$ 5,879,633	\$ 5,741,590	\$ 138,043	2.40%
Grants and Donations	2,086,878	2,635,070	-	-	2,086,878	2,635,070	(548,192)	-20.80%
General Revenues:								
Property Taxes	5,703,115	5,328,561	59,581	-	5,762,696	5,328,561	434,135	8.15%
Sales Taxes	3,448,869	3,284,522	-	-	3,448,869	3,284,522	164,347	5.00%
Other	624,074	550,705	11,882	29,864	635,956	580,569	55,387	9.54%
Gain (loss) sale of Capital Assets	(48,550)	(126,897)	12,644	-	(35,906)	(126,897)	90,991	-71.70%
Total Revenues	<u>12,431,178</u>	<u>12,287,869</u>	<u>5,346,948</u>	<u>5,155,546</u>	<u>17,778,126</u>	<u>17,443,415</u>	<u>334,711</u>	<u>1.92%</u>
Program Expenses:								
General Government	1,026,720	893,603	-	-	1,026,720	893,603	133,117	14.90%
Court	399,686	368,536	-	-	399,686	368,536	31,150	8.45%
Public Safety	4,715,843	4,392,347	-	-	4,715,843	4,392,347	323,496	7.36%
Public Works	2,353,370	1,835,641	-	-	2,353,370	1,835,641	517,729	28.20%
Culture & Recreation	511,785	818,166	-	-	511,785	818,166	(306,381)	-37.45%
Interest and Other Charges	283,957	438,925	-	-	283,957	438,925	(154,968)	-35.31%
Pension expense (recovery)	1,207,965	82,771	115,056	(701)	1,323,021	82,070	1,240,951	1512.06%
Water and Sewer	-	-	2,689,778	2,317,635	2,689,778	2,317,635	372,143	16.06%
Solid Waste	-	-	1,114,401	984,293	1,114,401	984,293	130,108	13.22%
Total Expenses	<u>10,499,326</u>	<u>8,829,989</u>	<u>3,919,235</u>	<u>3,301,227</u>	<u>14,418,561</u>	<u>12,131,216</u>	<u>2,287,345</u>	<u>18.86%</u>
Increase(decrease) in net assets								
before transfers	1,931,852	3,457,880	1,427,713	1,854,319	3,359,565	5,312,199	(1,952,634)	-36.76%
Net transfers	<u>957,275</u>	<u>951,675</u>	<u>(957,275)</u>	<u>(951,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Change in Net Position	<u>\$ 2,889,127</u>	<u>\$ 4,409,555</u>	<u>\$ 470,438</u>	<u>\$ 902,644</u>	<u>\$ 3,359,565</u>	<u>\$ 5,312,199</u>	<u>\$ (1,952,634)</u>	

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

**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 \$8,700,605 an increase of \$2,069,867, including a prior period adjustment of \$66,936. \$3,953,055, or 45%, 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 decrease in fund balance in the General Fund for the fiscal year was \$(301,226), including a prior period adjustment of \$66,936. This results primarily from transfer to capital projects fund. The fund balance of the Other Governmental Funds showed an increase in the amount of \$2,371,093. These changes result primarily from operations and transfers in. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
American Rescue Plan Fund	\$ 7,995

**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 \$4,361,296 is comprised of \$4,170,722 for the water and sewer and \$190,574 for the solid waste fund. User fees and charges were sufficient to cover costs this year. The increase in net position of \$482,027 for the water and sewer fund and decrease of \$(11,589) 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 2022, 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 \$9,351,192; with the final budgeted amount being \$8,686,930; and with \$9,569,108 in actual revenue collections. The General Fund's original budgeted expenditures of \$9,833,591 were amended to \$9,377,535, with actual expenditures of \$8,632,458.

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2022, the City has approximately \$31,000,000 invested in a large range of capital assets net of accumulated depreciation, including police and fire equipment, water and sewer lines, roads and buildings.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2022	2021	2022	2021	2022	2021		
Land	\$ 613,225	\$ 613,225	\$ 21,994	\$ 21,994	\$ 635,219	\$ 635,219	\$ -	0%
Buildings and improvements	3,151,897	3,309,015	239,165	247,367	3,391,062	3,556,382	(165,320)	-4.65%
Equipment	2,312,824	1,867,430	599,687	544,165	2,912,511	2,411,595	500,916	20.77%
Infrastructure	11,725,563	11,701,677	12,472,640	12,724,024	24,198,203	24,425,701	(227,498)	-0.93%
Totals	<u>\$ 17,803,509</u>	<u>\$ 17,491,347</u>	<u>\$ 13,333,486</u>	<u>\$ 13,537,550</u>	<u>\$ 31,136,995</u>	<u>\$ 31,028,897</u>	<u>\$ 108,098</u>	0.35%

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

**Debt**

At year-end, the City had \$11,094,131 in bonds, notes, and leases outstanding compared to \$11,993,937 last year - a decrease of \$899,806.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2022	2021	2022	2021	2022	2021		
General Obligation Bonds	\$ 10,247,000	\$ 11,218,000	\$ -	\$ -	\$ 10,247,000	\$ 11,218,000	\$ (971,000)	-8.66%
SRF Emergency Loan	-	-	234,060	267,382	234,060	267,382	(33,322)	-12.46%
Financed Purchases	613,071	420,366	-	88,189	613,071	508,555	104,516	20.55%
Totals	<u>\$ 10,860,071</u>	<u>\$ 11,638,366</u>	<u>\$ 234,060</u>	<u>\$ 355,571</u>	<u>\$ 11,094,131</u>	<u>\$ 11,993,937</u>	<u>\$ (899,806)</u>	-7.50%

More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

City of Petal, Mississippi  
Management Discussion and Analysis  
For the Year Ended September 30, 2022

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2022 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 2022.

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have any questions about this report or need additional financial information, contact the Mayor and City Clerk at 102 West 8<sup>th</sup> Avenue, Petal, MS 39465.

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***



**CITY OF PETAL, MISSISSIPPI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022**

Exhibit A

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND OTHER DEBITS</b>			
Cash and cash equivalents	\$ 11,050,494	\$ 5,275,365	\$ 16,325,859
Receivables, net of allowance for uncollectibles	6,002,363	88,773	6,091,136
Due from other funds	120,964	76,377	197,341
Prepaid Items	30,470	-	30,470
Unbilled revenue	-	423,006	423,006
Inventory, at cost	-	12,065	12,065
Other receivables	102,837	8,381	111,218
Restricted Assets			
Customer deposits	-	330,538	330,538
Land	613,225	21,994	635,219
Capital assets, net	17,190,284	13,311,492	30,501,776
Capitalized interest and bond costs (net)	56,310	-	56,310
<b>Total Assets</b>	<b><u>35,166,947</u></b>	<b><u>19,547,991</u></b>	<b><u>54,714,938</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,967,538	200,787	2,168,325
Unamortized amount on debt refunding	452,004	-	452,004
<b>Total Deferred Outflow of Resources</b>	<b><u>2,419,542</u></b>	<b><u>200,787</u></b>	<b><u>2,620,329</u></b>
<b>LIABILITIES AND OTHER CREDITS</b>			
Accounts Payable	325,980	368,672	694,652
Due to other funds	213,750	-	213,750
Other payables	95,254	21,102	116,356
Customer deposits	-	363,497	363,497
Unearned Revenue	2,531,161	-	2,531,161
Accrued interest	59,611	780	60,391
Compensated absences	58,843	946	59,789
Noncurrent liabilities:			
Net pension liability	11,364,806	1,191,214	12,556,020
Debt due within one year	1,423,364	34,679	1,458,043
Debt due in more than one year	9,436,707	199,381	9,636,088
<b>Total Liabilities</b>	<b><u>25,509,476</u></b>	<b><u>2,180,271</u></b>	<b><u>27,689,747</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	985,926	107,785	1,093,711
Property taxes levied for subsequent year	5,350,509	-	5,350,509
<b>Total Deferred Inflow of Resources</b>	<b><u>6,336,435</u></b>	<b><u>107,785</u></b>	<b><u>6,444,220</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	7,451,752	13,099,426	20,551,178
Restricted	3,716,100	-	3,716,100
Unrestricted	(5,427,274)	4,361,296	(1,065,978)
<b>Total Net Position</b>	<b><u>\$ 5,740,578</u></b>	<b><u>\$ 17,460,722</u></b>	<b><u>\$ 23,201,300</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	\$ 1,026,720	\$ -	\$ 11,475	\$ -	\$ (1,015,245)		\$ (1,015,245)
Court	399,686	344,025	-	-	(55,661)		(55,661)
Public safety	4,715,843	160,955	156,001	-	(4,398,887)		(4,398,887)
Public works	2,353,370	-	316,467	693,462	(1,343,441)		(1,343,441)
Culture & recreation	511,785	111,812	909,473	-	509,500		509,500
Pension expense	1,207,965	-	-	-	(1,207,965)		(1,207,965)
Interest/other charges on long-term debt	283,957	-	-	-	(283,957)		(283,957)
Total governmental activities	<u>10,499,326</u>	<u>616,792</u>	<u>1,393,416</u>	<u>693,462</u>	<u>(7,795,656)</u>		<u>(7,795,656)</u>
Business-type activities							
Water & Sewer	2,689,778	4,219,934	-	-		\$ 1,530,156	1,530,156
Solid Waste	1,114,401	1,042,907	-	-		(71,494)	(71,494)
Pension expense	115,056	-	-	-		(115,056)	(115,056)
Total business-type activities	<u>3,919,235</u>	<u>5,262,841</u>	<u>-</u>	<u>-</u>		<u>1,343,606</u>	<u>1,343,606</u>
Total	<u>\$ 14,418,561</u>	<u>\$ 5,879,633</u>	<u>\$ 1,393,416</u>	<u>\$ 693,462</u>	<u>(7,795,656)</u>	<u>1,343,606</u>	<u>(6,452,050)</u>
General revenues:							
Property taxes					5,703,115	59,581	5,762,696
Sales taxes					3,448,869	-	3,448,869
Franchise taxes and privilege licenses					575,753	-	575,753
Transfers					957,275	(957,275)	-
Deferred Charges and issuance costs					(190,215)		(190,215)
Unrestricted investment earnings					25,823	11,882	37,705
Other					212,713	-	212,713
Gain/loss on sale of assets					(48,550)	12,644	(35,906)
Total general revenues					<u>10,684,783</u>	<u>(873,168)</u>	<u>9,811,615</u>
Change in net position					2,889,127	470,438	3,359,565
Net position - beginning					<u>2,784,515</u>	<u>16,990,284</u>	<u>19,774,799</u>
Prior period adjustment					<u>66,936</u>	<u>-</u>	<u>66,936</u>
Net position - beginning as restated					<u>2,851,451</u>	<u>16,990,284</u>	<u>19,841,735</u>
Net position - ending					<u>\$ 5,740,578</u>	<u>\$ 17,460,722</u>	<u>\$ 23,201,300</u>

The accompanying notes are an integral part of this statement.

***FUND FINANCIAL STATEMENTS***

**CITY OF PETAL, MISSISSIPPI**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

Exhibit C

	General Fund	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS</b>				
Cash and other deposits	\$ 4,959,902	\$ 2,535,653	\$ 3,554,939	\$ 11,050,494
Franchise fees receivable	145,791	-	-	145,791
Fines receivable, net of allowance	89,869	-	-	89,869
Due from other governments	333,987	-	82,207	416,194
Property taxes levied for subsequent year	5,030,509	-	320,000	5,350,509
Prepaid Insurance	30,470	-	-	30,470
Due from other funds	12,914	4,070	103,980	120,964
Other receivables	<u>102,747</u>	<u>-</u>	<u>90</u>	<u>102,837</u>
 Total Assets	 <u>\$ 10,706,189</u>	 <u>\$ 2,539,723</u>	 <u>\$ 4,061,216</u>	 <u>\$ 17,307,128</u>
 <b>LIABILITIES AND OTHER CREDITS</b>				
Accounts payable	\$ 305,016	\$ -	\$ 20,964	\$ 325,980
Other payables	72,081	-	-	72,081
Insurance payable	23,173	-	-	23,173
Unearned revenue	-	2,531,161	-	2,531,161
Due to other funds	<u>201,036</u>	<u>-</u>	<u>12,714</u>	<u>213,750</u>
 Total Liabilities	 <u>601,306</u>	 <u>2,531,161</u>	 <u>33,678</u>	 <u>3,166,145</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Revenues not available - court fines	89,869	-	-	89,869
Property taxes levied for subsequent year	<u>5,030,509</u>	<u>-</u>	<u>320,000</u>	<u>5,350,509</u>
	<u>5,120,378</u>	<u>-</u>	<u>320,000</u>	<u>5,440,378</u>
 <b>FUND BALANCES:</b>				
Restricted				-
Resource Activity	-	8,562	1,804,571	1,813,133
Debt Service	-	-	701,543	701,543
Unavailable Prepaid	30,470	-	-	30,470
Committed for Capital Projects	-	-	1,201,424	1,201,424
Assigned for Reserves	1,000,980	-	-	1,000,980
Unassigned	<u>3,953,055</u>	<u>-</u>	<u>-</u>	<u>3,953,055</u>
 Total fund balances	 <u>4,984,505</u>	 <u>8,562</u>	 <u>3,707,538</u>	 <u>8,700,605</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 10,706,189</u>	 <u>\$ 2,539,723</u>	 <u>\$ 4,061,216</u>	 <u>\$ 17,307,128</u>

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022**

Exhibit C-1

Total Fund Balance-Governmental Funds (Exhibit C)	\$ 8,700,605
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$15,905,663	17,803,509
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Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds	89,869
--	--------

Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds	56,310
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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	(11,364,806)
Compensated absences	(58,843)
Accrued interest expense	(59,611)

Deferred outflows and inflows of resources are applicable to future periods and, therefore are not reported in the funds:	
Unamortized amount on debt refunding	452,004
Deferred outflows of resources related to pensions	1,967,538
Deferred inflows of resources related to pensions	(985,926)

Long-term debt, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(10,860,071)
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Total Net Position-Governmental Activities (Exhibit A)	<u>\$ 5,740,578</u>
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The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Exhibit D

	General Fund	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 5,086,513	\$ -	\$ 616,602	\$ 5,703,115
Licenses and fees	575,753	-	-	575,753
Intergovernmental revenue	3,482,662	82,665	1,970,420	5,535,747
Charges for services	359,845	-	94,267	454,112
Earnings on investments	14,218	3,925	7,680	25,823
Other	146,715	4,070	25,152	175,937
TOTAL REVENUE	<u>9,665,706</u>	<u>90,660</u>	<u>2,714,121</u>	<u>12,470,487</u>
EXPENDITURES				
General government	998,977	-	-	998,977
Court	273,126	-	-	273,126
Public safety	5,354,116	-	94,127	5,448,243
Public works	1,529,646	82,665	610,429	2,222,740
Culture & recreation	279,336	-	598,215	877,551
Debt service				
Principal	81,225	-	1,518,299	1,599,524
Interest	116,284	-	303,072	419,356
Total expenditures	<u>8,632,710</u>	<u>82,665</u>	<u>3,124,142</u>	<u>11,839,517</u>
Excess (deficiency) of revenues over expenditures	<u>1,032,996</u>	<u>7,995</u>	<u>(410,021)</u>	<u>630,970</u>
Other financing sources (uses):				
Transfers in	128,156	-	2,901,275	3,029,431
Transfers out	(1,944,000)	-	(128,156)	(2,072,156)
Proceeds from debt	377,913	-	-	377,913
Sale of capital assets	26,819	-	-	26,819
Proceeds from refunding debt	-	-	5,774,000	5,774,000
Retirement of refunded debt	-	-	(5,230,000)	(5,230,000)
Deferred charges and issuance cost	-	-	(544,000)	(544,000)
Other	9,954	-	-	9,954
Total other financing sources (uses)	<u>(1,401,158)</u>	<u>-</u>	<u>2,773,119</u>	<u>1,371,961</u>
Net change in fund balance	(368,162)	7,995	2,363,098	2,002,931
Fund Balances - Beginning	5,285,731	567	1,344,440	6,630,738
Prior Period Adjustments	66,936	-	-	66,936
Fund Balances - Beginning as restated	<u>5,352,667</u>	<u>567</u>	<u>1,344,440</u>	<u>6,697,674</u>
Fund Balances - Ending	<u>\$ 4,984,505</u>	<u>\$ 8,562</u>	<u>\$ 3,707,538</u>	<u>\$ 8,700,605</u>

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI**  
**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, 2022**

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)	\$ 2,002,931
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	1,362,992
Depreciation	(1,002,279)
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 assets differs from the change in fund balance by the cost of the assets sold.	(48,550)
3 Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount that debt proceeds exceeded debt payments in the current period.	
Debt issuance cost	353,785
Debt payments	6,930,207
Debt proceeds	(6,151,912)
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	(65,955)
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.	12,680
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	(418)
Accrued interest	34,716
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	(1,207,965)
Recording of contributions made subsequent to the measurement date	682,722
Change in Net Position of Governmental Activities	<u><u>\$ 2,889,127</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2022**

Exhibit E

	Business-type Activities - Enterprise funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,169,424	\$ 105,941	\$ 5,275,365
Customer receivables, net of allowance	70,375	18,398	88,773
Due from other funds	13,234	63,143	76,377
Unbilled revenue	338,559	84,447	423,006
Other receivables	4,536	3,845	8,381
Inventory, at cost	12,065	-	12,065
Restricted Assets			
Customer deposits	330,538	-	330,538
Land	21,994	-	21,994
Capital assets, net	13,296,063	15,429	13,311,492
Total Assets	19,256,788	291,203	19,547,991
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions	200,787	-	200,787
Total deferred outflow of resources	200,787	-	200,787
<b>LIABILITIES</b>			
Accounts Payable	\$ 288,840	\$ 79,832	\$ 368,672
Other payables	15,734	5,368	21,102
Accrued interest	780	-	780
Customer deposits	363,497	-	363,497
Compensated absences	946	-	946
Noncurrent liabilities:			
SRF loan payable	234,060	-	234,060
Net pension liability	1,191,214	-	1,191,214
Total Liabilities	2,095,071	85,200	2,180,271
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions	107,785	-	107,785
Total deferred inflow of resources	107,785	-	107,785
<b>NET POSITION</b>			
Net investment in capital assets	13,083,997	15,429	13,099,426
Unrestricted	4,170,722	190,574	4,361,296
Total Net Position	\$ 17,254,719	\$ 206,003	\$ 17,460,722

The accompanying notes are an integral part of this statement.



**CITY OF PETAL, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR YEAR ENDED SEPTEMBER 30, 2022**

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	\$ 3,298,295	\$ 1,018,987	\$ 4,317,282
Other fees and charges	253,262	23,920	277,182
Sewer treatment charges	<u>668,377</u>	<u>-</u>	<u>668,377</u>
	<u>4,219,934</u>	<u>1,042,907</u>	<u>5,262,841</u>
Operating expenses:			
Personnel services	468,310	53,631	521,941
Supplies and materials	389,812	26,844	416,656
Other services and charges	1,233,878	1,018,471	2,252,349
Interest expense and fees	8,423	-	8,423
Pension expense (recovery)	115,056	-	115,056
Depreciation and amortization	506,140	311	506,451
Bad debt expense	<u>83,215</u>	<u>15,144</u>	<u>98,359</u>
Total operating expenses	<u>2,804,834</u>	<u>1,114,401</u>	<u>3,919,235</u>
Operating income (loss)	1,415,100	(71,494)	1,343,606
Other sources (uses)			
Investment earnings	11,558	324	11,882
Property taxes	-	59,581	59,581
Transfer to other funds	(957,275)	-	(957,275)
Gain (Loss) on disposal of assets	<u>12,644</u>	<u>-</u>	<u>12,644</u>
	<u>(933,073)</u>	<u>59,905</u>	<u>(873,168)</u>
Change in net position	482,027	(11,589)	470,438
Total net position - beginning	<u>16,772,692</u>	<u>217,592</u>	<u>16,990,284</u>
Total net position - ending	<u>\$ 17,254,719</u>	<u>\$ 206,003</u>	<u>\$ 17,460,722</u>

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED SEPTEMBER 30, 2022**

Exhibit G

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash flow from operating activities:			
Cash received from customers (excluding deposit)	\$ 4,187,601	\$ 1,016,990	\$ 5,204,591
Cash paid to suppliers	(1,475,131)	(967,830)	(2,442,961)
Cash paid to employees	(470,281)	(53,631)	(523,912)
Net cash provided (used) by operating activities	<u>2,242,189</u>	<u>(4,471)</u>	<u>2,237,718</u>
Cash flow from noncapital financing activities:			
Transfer (to) from other funds	(957,275)	-	(957,275)
Net cash flows provided (used) by noncapital financing activities	<u>(957,275)</u>	<u>-</u>	<u>(957,275)</u>
Cash flow from capital financing activities:			
Interest paid	(7,643)	-	(7,643)
Payments on lease	(88,189)	-	(88,189)
Payments on loan	(33,322)	-	(33,322)
Net cash flows provided (used) by capital financing activities	<u>(129,154)</u>	<u>-</u>	<u>(129,154)</u>
Cash flow from investing activities:			
Purchase of assets	(342,982)	-	(342,982)
Sale of assets	12,644	-	12,644
Property taxes	-	59,577	59,577
Interest received	11,558	324	11,882
Net cash flows provided (used) by investing activities	<u>(318,780)</u>	<u>59,901</u>	<u>(258,879)</u>
Net increase (decrease) in cash for the year	836,980	55,430	892,410
Cash and restricted cash - October 1, 2021	<u>4,662,982</u>	<u>50,511</u>	<u>4,713,493</u>
Cash and restricted cash - September 30, 2022	<u>\$ 5,499,962</u>	<u>\$ 105,941</u>	<u>\$ 5,605,903</u>

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED SEPTEMBER 30, 2022**

Exhibit G (continued)

	Water and Sewer Fund	Solid Waste Fund	Totals
Operating income (loss)	\$ 1,415,100	\$ (71,494)	\$ 1,343,606
Adjustments to reconcile operating income to net cash provided by operating activities:			
Pension expense (recovery)	115,056	-	115,056
Depreciation	506,140	311	506,451
Bad debt expense	83,215	15,144	98,359
(Increase) decrease in accounts receivable	(126,418)	(25,206)	(151,624)
(Increase) decrease in other assets	34,735	(2,909)	31,826
Increase (decrease) in other liabilities	55,035	(149)	54,886
Increase (decrease) in accounts payable	<u>159,326</u>	<u>79,832</u>	<u>239,158</u>
Net cash provided by operating activities	<u>\$ 2,242,189</u>	<u>\$ (4,471)</u>	<u>\$ 2,237,718</u>
Other Required Disclosures:			
Interest paid	<u>\$ 8,423</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
SEPTEMBER 30, 2022**

Exhibit H

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 16
Due from other funds	16,609
Other assets	<u>7,693</u>
Total Assets	<u>\$ 24,318</u>
LIABILITIES	
Due to other funds	\$ 20,743
Other liability	<u>3,575</u>
Total Liabilities	<u>\$ 24,318</u>

The accompanying notes are an integral part of this statement.

***NOTES TO FINANCIAL STATEMENTS***

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The City of Petal, Mississippi is a municipal corporation that was incorporated in 1974 and is governed by an elected mayor and five-member council. The city provides the following services: General Administration, Judicial, Public Safety, Culture and Recreation, Public Works, Water and Sewer Utility, and Solid Waste Collection.

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.

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.

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

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.

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.

American Rescue Plan Fund – This special revenue fund represents a federal grant received that will be used for future sewer improvement projects.

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

Additionally the City reports the following major proprietary funds:

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

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

**C. Measurement Focus, Basis Of Accounting, And Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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.

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

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.

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

**D. Account Classification**

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

**E. Encumbrances**

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

**F. Assets, liabilities, deferred outflows/inflows, and net position/fund balances**

1. Cash, Cash equivalents and Investments



***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

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.

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.

2. Receivables

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

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

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

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

3. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflow of resources. This represents an acquisition of net position that applies to future periods and so is not recognized as an inflow of resources (revenue) until that time. Currently the City has three items in this

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

category, deferred inflows related to pensions, unamortized bond premiums and property taxes levied for the subsequent year.

**4. 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.

**5. 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.

**6. 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.

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

<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

**7. 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 \$61,342 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.

**8. 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.

**9. 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.

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

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.

**10. 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 15<sup>th</sup>, levies property taxes for the ensuing fiscal year which begins October 1. Property taxes attach as an enforceable lien as of the date of levy. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

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

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

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

	<u>September 30, 2022</u>
<u>City of Petal</u>	
General Fund	40.13
GO Bond Refunding	3.27
5.0 M GO Bond Debt Service	1.81
Library	0.50
Solid Waste	<u>0.50</u>
Total City Mills	<u>46.21</u>
 <u>Petal Municipal Separate School District</u>	
District Maintenance	56.36
School Building Program	2.64
School Shortfall Note	1.01
School Limited Tax Note	<u>1.83</u>
Total School District Mills	<u>61.84</u>

**11. 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.

**12. 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.

**G. Changes in Accounting Standards**

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

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS**

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 \$16,656,397 and the bank balance was \$16,914,347.

*Custodial Credit Risk-Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. The city does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the town.

**NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT**

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

	General	American Rescue Plan Fund	Other Governmental	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Receivables:						
Accounts	\$ 145,791	\$ -	\$ -	\$ 1,228,625	\$ 250,198	\$ 1,624,614
Court Fine Receivable	2,789,869	-	-	-	-	2,789,869
Other Receivable	102,747	-	90	4,536	3,845	111,218
Property Tax Receivable	5,030,509	-	320,000	-	-	5,350,509
Intergovernmental	333,987	-	82,207	-	-	416,194
Gross Receivables	8,402,903	-	402,297	1,233,161	254,043	10,292,404
Less: allowance for uncollectables	(2,700,000)	-	-	(1,158,250)	(231,800)	(4,090,050)
Total net receivables	<u>\$ 5,702,903</u>	<u>\$ -</u>	<u>\$ 402,297</u>	<u>\$ 74,911</u>	<u>\$ 22,243</u>	<u>\$ 6,202,354</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>\$ 5,030,509</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,350,509</u>

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**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.

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out:</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 1,944,000
General Fund	Other Governmental Funds	128,156
Other Governmental Funds	Water and Sewer Fund	957,275
		<u>\$ 3,029,431</u>

**NOTE 5- CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance 10/1/2021</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2022</u>
Capital assets not being depreciated:					
Land and easements	\$ 613,225	\$ -	\$ -	\$ -	\$ 613,225
Total assets not being depreciated	613,225	-	-	-	613,225
Capital assets being depreciated:					
Buildings	3,058,489	-	-	-	3,058,489
Improvements other than buildings	2,827,591	-	-	-	2,827,591
Equipment:					
Office & Other Equipment	384,113	-	-	8,152	375,961
Motor vehicles	2,408,797	-	597,085	72,410	2,933,472
Operating Equipment	1,984,024	-	160,573	67,140	2,077,457
Infrastructure	20,971,185	-	605,333	-	21,576,518
Total assets being depreciated	31,634,199	-	1,362,991	147,702	32,849,488
Totals at historical cost	32,247,424	-	1,362,991	147,702	33,462,713
Less accumulated depreciation					
Buildings	(1,056,157)	-	(60,007)	-	(1,116,164)
Improvements other than buildings	(1,520,908)	-	(97,111)	-	(1,618,019)
Equipment:					
Office & Other Equipment	(288,900)	-	(26,522)	(7,337)	(308,085)
Motor vehicles	(1,342,400)	-	(121,376)	(52,507)	(1,411,269)
Operating Equipment	(1,278,204)	-	(115,816)	(39,308)	(1,354,712)
Infrastructure	(9,269,508)	-	(581,447)	-	(9,850,955)
Total accumulated depreciation	(14,756,077)	-	(1,002,279)	(99,152)	(15,659,204)
Governmental activities capital assets, net	\$ 17,491,347	\$ -	\$ 360,712	\$ 48,550	\$17,803,509

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5- CAPITAL ASSETS (cont)**

Depreciation expense was charged to the following governmental functions:

General government	\$ 6,931
Public Safety	189,655
Public Works, which includes the depreciation of general infrastructure assets	643,641
Culture and Recreation	162,052
Total governmental activities depreciation expense	<u>\$ 1,002,279</u>

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

Business-type Activities	Balance 10/1/2021	Adjustments	Additions	Deletions	Balance 9/30/2022
Capital assets not being depreciated:					
Land and easements	\$ 21,994	-	-	-	21,994
Total assets not being depreciated	<u>21,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,994</u>
Water and Sewer					
Capital assets being depreciated:					
Buildings	359,661	-	-	-	359,661
Improvements other than buildings	1,901	-	-	-	1,901
Office Furniture/Equipment	4,000	-	-	-	4,000
Water/Sewer systems	27,652,029	-	176,456	-	27,828,485
Vehicles	544,822	-	72,098	80,784	536,136
Operating Equipment	843,070	-	56,575	-	899,645
Total assets being depreciated	<u>29,405,483</u>	<u>-</u>	<u>305,129</u>	<u>80,784</u>	<u>29,629,828</u>
Totals at historical cost	<u>29,427,477</u>	<u>-</u>	<u>305,129</u>	<u>80,784</u>	<u>29,651,822</u>
Less accumulated depreciation					
Buildings	(112,294)	-	(8,202)	-	(120,496)
Improvements other than buildings	(1,901)	-	-	-	(1,901)
Office Furniture/Equipment	(3,600)	-	-	-	(3,600)
Water/Sewer systems	(14,932,142)	(539)	(426,990)	-	(15,359,671)
Vehicles	(252,981)	75	(38,122)	(78,970)	(212,058)
Operating Equipment	(602,745)	-	(33,290)	-	(636,035)
Total accumulated depreciation	<u>(15,905,663)</u>	<u>(464)</u>	<u>(506,604)</u>	<u>(78,970)</u>	<u>(16,333,761)</u>
Water and Sewer capital assets, net	<u>13,521,814</u>	<u>(464)</u>	<u>(201,475)</u>	<u>1,814</u>	<u>13,318,061</u>
Solid Waste:					
Capital assets being depreciated:					
Infrastructure	8,896	-	-	-	8,896
Operating Equipment	122,869	-	-	-	122,869
Vehicles	-	-	-	-	-
Total assets being depreciated	<u>131,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,765</u>
Less accumulated depreciation					
Infrastructure	(4,759)	-	(311)	-	(5,070)
Operating Equipment	(111,270)	-	-	-	(111,270)
Vehicles	-	-	-	-	-
Total accumulated depreciation	<u>(116,029)</u>	<u>-</u>	<u>(311)</u>	<u>-</u>	<u>(116,340)</u>
Solid Waste capital assets, net	<u>15,736</u>	<u>-</u>	<u>(311)</u>	<u>-</u>	<u>15,425</u>
Total Business-type activities	<u>\$ 13,537,550</u>	<u>\$ (464)</u>	<u>\$ (201,786)</u>	<u>\$ 1,814</u>	<u>\$13,333,486</u>



**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6- LONG-TERM LIABILITIES**

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

	Balance 10/1/2021	Additions	Deletions	Adjustments	Balance 9/30/2022	Amount Due Within One Year
<b><u>GENERAL OBLIGATION BONDS</u></b>						
General Obligation Bonds, Series 2014 \$1.0M, 2.25%, matures 2024	\$ 332,000	\$ -	\$ (332,000)	\$ -	\$ -	\$ -
General Obligation Refunding Bond, Series 2012 \$2.155M, 2.00%-2.375%, matures 2024	555,000	-	(185,000)	-	370,000	185,000
General Obligation Refunding Bond, Series 2015 \$3.1M, 2.0% - 3.0%, matures 2026	1,655,000	-	(310,000)	-	1,345,000	320,000
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	-	(5,230,000)	-	1,280,000	405,000
General Obligation W&S Refunding Bond, Series 2022 Refunding Series 2015 W&S Revenue Bonds \$6.510M, 2.5% - 4.0%, matures 7/1/2032	-	5,774,000	(53,000)	-	5,721,000	60,000
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	<u>2,166,000</u>	<u>-</u>	<u>(635,000)</u>	<u>-</u>	<u>1,531,000</u>	<u>285,000</u>
	<u>\$ 11,218,000</u>	<u>\$ 5,774,000</u>	<u>\$ (6,745,000)</u>	<u>-</u>	<u>\$ 10,247,000</u>	<u>\$ 1,255,000</u>
<b><u>CAPITAL LEASES</u></b>						
Street Equipment Tractors Lease 2.85%, matures 3/2022,	\$ 58,930	\$ -	\$ -	\$ (58,930)	\$ -	\$ -
Equipment Pickups Lease 3.02%, matures 6/2022	50,646	-	-	(50,646)	-	-
Fire Truck Lease 1.8%, matures 9/28/2025	<u>310,790</u>	<u>-</u>	<u>-</u>	<u>(310,790)</u>	<u>-</u>	<u>-</u>
	<u>\$ 420,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (420,366)</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>FINANCED PURCHASES</u></b>						
Street Equipment Tractors 2.85%, matures 3/2022,	\$ -	\$ -	\$ (58,930)	\$ 58,930	\$ -	\$ -
Equipment Pickups 3.02%, matures 6/2022	-	-	(50,646)	50,646	-	-
Fire Truck 1.8%, matures 9/28/2025	-	-	(75,631)	310,790	235,159	76,992
Police Car Lease 2.21%, matures 5/3/2026	<u>-</u>	<u>377,912</u>	<u>-</u>	<u>-</u>	<u>377,912</u>	<u>91,372</u>
	<u>\$ -</u>	<u>\$ 377,912</u>	<u>\$ (185,207)</u>	<u>\$ 420,366</u>	<u>\$ 613,071</u>	<u>\$ 168,364</u>
TOTAL GOVERNMENTAL PURPOSE DEBT	<u>\$ 11,638,366</u>	<u>\$ 6,151,912</u>	<u>\$ (6,930,207)</u>	<u>\$ -</u>	<u>\$ 10,860,071</u>	<u>\$ 1,423,364</u>

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6- LONG-TERM LIABILITIES (cont)**

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

	Balance 10/1/2021	Additions	Deletions	Adjustments	Balance 9/30/2022	Amount Due Within One Year
<b><u>Emergency SRF Loan</u></b>						
SRF Loan	\$ 267,382	\$ -	\$ (33,322)	\$ -	\$ 234,060	\$ 34,679
4.00%, matures 10/1/2028	<u>\$ 267,382</u>	<u>\$ -</u>	<u>\$ (33,322)</u>	<u>\$ -</u>	<u>\$ 234,060</u>	<u>\$ 34,679</u>
<b><u>Capital Leases</u></b>						
Equipment Lease	\$ 88,189	\$ -	\$ -	\$ (88,189)	\$ -	\$ -
3.02%, matures 6/29/2022	<u>\$ 88,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,189)</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Financed Purchases</u></b>						
Equipment	\$ -	\$ -	\$ (88,189)	\$ 88,189	\$ -	\$ -
3.02%, matures 6/29/2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,189)</u>	<u>\$ 88,189</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUSINESS-TYPE ACTIVITY DEBT	<u>\$ 355,571</u>	<u>\$ -</u>	<u>\$ (33,322)</u>	<u>\$ -</u>	<u>\$ 234,060</u>	<u>\$ 34,679</u>
TOTAL	<u><b>\$ 11,993,937</b></u>	<u><b>\$ 6,151,912</b></u>	<u><b>\$ (6,963,529)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 11,094,131</b></u>	<u><b>\$ 1,458,043</b></u>

**Governmental Activities Long-Term Debt**

**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
2023	\$	185,000	\$ 8,556	2023	\$	320,000	\$ 40,350
2024		185,000	4,394	2024		330,000	30,750
2025		-	-	2025		340,000	20,850
2026		-	-	2026		355,000	10,650
	\$	370,000	\$ 12,950		\$	1,345,000	\$ 102,600

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6- LONG-TERM LIABILITIES (cont)**

General Obligation Water and Sewer Refunding Bonds

On April 9, 2015, the City issued GO Water and Sewer refunding bonds, Series 2015 in amount of \$6,510,000 with interest rate of 2.5% -4.00% to partially advance refund \$4,707,335 of outstanding water and sewer revenue bonds series 2006 with interest rates of 4.0% to 7.00% and to partially advance refund \$2,230,503 of outstanding water and sewer revenue bonds series 2007 with interest rates of 4.0% to 5.0%.

On 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% to refund the remainder of the 2006 series and 2007 series water and sewer bonds.

On April 21, 2022 the City issued GO Refunding Bonds, Series 2022 in amount of \$5,774,000 with interest rate of 2.130% for the purpose of providing funds for advance refunding and defeasing of a portion of the \$6,510,000 GO Water and Sewer Refunding Bonds Series 2015, dated April 9, 2015.

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

<u>\$6,510,000 GO W &amp; S Refunding Bonds, Series 2015</u>			
	<u>Principal</u>		<u>Interest</u>
2023	\$	405,000	\$ 38,675
2024		430,000	28,550
2025		445,000	17,800
2026		-	-
2027		-	-
	\$	1,280,000	\$ 85,025

<u>\$4.885M GO W &amp; S Refunding Bonds, Series 2016</u>			
	<u>Principal</u>		<u>Interest</u>
2023	\$	285,000	\$ 52,350
2024		295,000	43,800
2025		305,000	34,950
2026		315,000	25,800
2027		331,000	13,200
	\$	1,531,000	\$ 170,100

<u>\$5,774,000 GO WS Refunding Bond Series 2022</u>			
	<u>Principal</u>		<u>Interest</u>
2023	\$	60,000	\$ 121,857
2024		61,000	120,579
2025		63,000	119,280
2026		564,000	93,022
2027		579,000	83,546
2028-2032		4,394,000	204,859
	\$	5,721,000	\$ 743,144

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6- LONG-TERM LIABILITIES (cont)**

Financed Purchases

The City currently has three outstanding financed purchase obligations. These include separate leases for street equipment and fire truck. These leases vary in length and interest rates.

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

Financed Purchaes			
	Principal		Interest
2023	\$	168,364	\$ 12,670
2024		171,790	9,244
2025		175,287	5,748
2026		97,630	2,180
	\$	613,071	\$ 29,841

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 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.

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
2023	\$	34,679	\$ 8,731
2024		36,092	7,318
2025		37,562	5,848
2026		39,093	4,317
2027		40,685	3,805
thereafter		45,948	1,067
	\$	234,060	\$ 31,087

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 employees' salaries were paid.

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 7-LIMITATIONS ON INDEBTEDNESS**

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

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

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

Authorized Debt Limit	15 Percent	20 Percent
Assessed valuation at fiscal year ended September 30, 2022 ( \$120,433,242 )	\$ 18,064,986	\$ 24,086,648
Present debt subject to 15% limitation	(1,715,000)	-
Present debt subject to 20% limitation including debt subject to 15% limitation	-	(10,860,071)
Margin for further debt under respective limits	<u>\$ 16,349,986</u>	<u>\$ 13,226,577</u>

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

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

*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, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2022, 2021, and 2020 were \$709,456, \$709,328, and \$697,792, respectively, which equaled the required contributions for each year.

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

At September 30, 2022, the City reported a liability of \$12,556,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2022 net pension liability was 0.06132300 percent, which was based on a measurement date of June 30, 2022. This was a decrease of 0.00096500 percent from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended September 30, 2022, the City recognized pension expense of \$82,771. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,190	\$ -
Net difference between projected and actual earnings on pension plan investments	721,492	-
Changes of assumptions	1,090,230	-
Change in proportionate share	-	1,093,711
City contributions subsequent to the measurement date	178,413	-
Total	<u>\$ 2,168,325</u>	<u>\$ 1,093,711</u>

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

Year ended September 30:

2023	\$ 113,593
2024	120,063
2025	(18,779)
2026	681,324
2027	-
	<u>\$ 896,201</u>

*Actuarial assumptions.* The total pension liability was determined by actuarial valuation as of June 30, 2021 and a measurement date determined of June 30, 2022 using standard rollforward techniques. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)**

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 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Debt Securities	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
	<u>100.00 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate 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 7.55 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
City's proportionate share of the net pension liability	\$ 16,386,888	\$ 12,556,019	\$ 9,397,664

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



***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**NOTE 9-COMMITMENTS AND CONTINGENCIES**

Federal Grants

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

CSLFRF

The City has received \$2,613,826 in Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) and has spent \$82,665 of these funds as of September 30, 2022. The unspent balance is recorded as a liability (unearned revenue) and will be recognized as revenue when the funds are expended.

Construction Contract

The City had commitment under a construction contract for the McSwain Water Improvements project which was being funded by the CSLFRF grant. The total project was for \$255,364 and was completed on November 15, 2022. At September 30, 2022, the City had spent \$82,665.

**NOTE 10-RISK MANAGEMENT**

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

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

Participation in Public Entity Risk Pool:

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

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

Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$250,000.

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.

***CITY OF PETAL, MISSISSIPPI***  
***NOTES TO THE FINANCIAL STATEMENTS***  
***SEPTEMBER 30, 2022***

**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 Assets date require disclosure in the accompanying notes. Management of City of Petal, Mississippi evaluated the activity of the City through June 16, 2023 (date financial statements were available) and determined that the following subsequent events require disclosure in the notes to the financial statements.

Effective October 2022, the City of Petal (City) and Clear Water Solutions, LLC (Service Provider) entered into an agreement whereby the Service Provider will manage, operate and maintain the City's water and sewer and public works operations. The City will compensate Service Provider for such services. The City will terminate its labor for self-operation, maintenance and management responsibilities upon execution of this agreement. The financial benefit or cost is not known at this time .

***REQUIRED SUPPLEMENTARY INFORMATION***

**Schedule 1A**

**CITY OF PETAL, MISSISSIPPI  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 4,576,192	\$ 4,576,192	\$ 5,072,472	\$ -	\$ 496,280
License and permits	654,500	660,500	726,979	6,000	66,479
Intergovernmental revenues	3,143,500	3,143,500	3,462,637	-	319,137
Charges for services	11,000	11,000	14,751	-	3,751
Fines and forfeitures	176,500	175,000	181,345	(1,500)	6,345
Other	789,500	120,738	110,924	(668,762)	(9,814)
TOTAL REVENUES	9,351,192	8,686,930	9,569,108	(664,262)	882,178
EXPENDITURES					
General Government	1,203,794	1,162,926	998,727	40,868	164,199
Judicial Department	305,287	305,287	273,126	-	32,161
Police Department	2,844,107	2,855,880	2,784,851	(11,773)	71,029
Fire Department	2,917,645	2,548,367	2,390,177	369,278	158,190
Building Inspection	319,933	319,933	260,312	-	59,621
Street Department	1,811,815	1,877,302	1,645,930	(65,487)	231,372
Recreation	-	1,230	1,010	(1,230)	220
Senior/Cultural Center	120,588	191,748	166,637	(71,160)	25,111
Civic Center	110,422	114,862	111,688	(4,440)	3,174
Debt service:					
Principal	200,000	-	-	200,000	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	9,833,591	9,377,535	8,632,458	456,056	745,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(482,399)	(690,605)	936,650	(208,206)	1,627,255
Other Financing Sources (Uses)	200,000	(1,446,087)	(1,445,268)	(1,246,087)	(819)
NET CHANGE IN FUND BALANCE	\$ (282,399)	\$ (2,136,692)	(508,618)	\$ (1,454,293)	\$ 1,626,436
Adjustments to GAAP Basis					
Revenue Accruals			140,708		
Expense Accruals			(252)		
NET CHANGE IN FUND BALANCE - GAAP BASIS			(368,162)		
FUND BALANCE-BEGINNING			5,352,667		
FUND BALANCE-ENDING			\$ 4,984,505		

The notes to the required supplemental schedule are an integral part of this statement.

## Schedule 1B

**CITY OF PETAL, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE AMERICAN RESCUE PLAN FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Intergovernmental revenues	\$ 1,306,912	\$ 1,306,912	\$ 1,306,912	\$ -	\$ -
Other	-	-	3,397	-	3,397
TOTAL REVENUES	1,306,912	1,306,912	1,310,309	-	3,397
EXPENDITURES					
Water Improvements	1,306,912	1,306,912	82,665	-	1,224,247
Other	-	-	(4,070)	-	4,070
TOTAL EXPENDITURES	1,306,912	1,306,912	78,595	-	1,228,317
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	-	-	1,231,714	-	1,231,714
Other Financing Sources (Uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,231,714	\$ -	\$ 1,231,714
Adjustments to GAAP Basis					
Revenue Accruals			(1,219,649)		
Expense Accruals			(4,070)		
NET CHANGE IN FUND BALANCE - GAAP BASIS					
			7,995		
FUND BALANCE-BEGINNING					
			567		
FUND BALANCE-ENDING					
			\$ 8,562		

The notes to the required supplemental schedule 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\*

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0610%	0.0610%	0.0620%	0.0660%	0.0626%	0.0559%	0.056%	0.056%
City's proportionate share of the net pension liability	\$ 12,556,020	\$ 9,016,067	\$ 12,002,480	\$ 11,610,702	\$ 10,413,569	\$ 9,289,651	\$ 10,002,998	\$ 8,656,496
City's covered - employee payroll	\$ 4,317,213	\$ 4,077,333	\$ 4,076,598	\$ 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	290.836%	221.127%	294.424%	268.890%	251.793%	255.333%	283.295%	247.266%
Plan fiduciary net position as a percentage of the total pension liability	59.934%	70.437%	58.974%	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\***

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 751,195	\$ 709,456	\$ 709,328	\$ 697,792	\$ 651,384	\$ 573,024	\$ 556,125	\$ 551,390
Contributions in relation to the contractually required contribution	751,195	709,456	709,328	697,792	651,384	573,024	556,125	551,390
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered - employee payroll	4,317,213	4,077,333	4,076,598	4,318,020	4,135,771	3,638,248	3,530,952	3,500,889
Contributions as a percentage of covered-employee payroll	17.40%	17.40%	17.40%	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, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Budgetary Comparison Schedules

- 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 2016 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 Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and 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; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.



**CITY OF PETAL, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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%.

2021:

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

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments; for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on PubS.H-2010(B) Contingent Annuitant Table with the following adjustments; for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%. The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%. The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll

Withdrawal rates, pre-retirement mortality rates, 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 9% to 12%.

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

(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, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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, 2022**

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 rolls 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>
Anthony T. Ducker \$100,000	Mayor	Scott Municipal Insurance	
Gerald Steele \$100,000	Alderman	Scott Municipal Insurance	
James C. Bullock \$100,000	Alderman	Scott Municipal Insurance	
Andrew P. Brickson \$100,000	Alderman	Scott Municipal Insurance	
Steven Stringer \$100,000	Alderman	Scott Municipal Insurance	
Blake Nobles \$100,000	Alderman	Scott Municipal Insurance	
Mike Lott \$100,000	Alderman	Scott Municipal Insurance	
Craig Strickland \$100,000	Alderman	Scott Municipal Insurance	
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
Paula King	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

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

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

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

Honorable Mayor, Members of the  
Board of Alderman 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Petal, Mississippi's basic financial statements, and have issued our report thereon dated June 16, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Petal, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 or significant deficiencies may exist that have not been identified.

#### **Report on 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, MS

June 16, 2023



**HOLT & ASSOCIATES, PLLC**  
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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor, Members of the  
Board of Alderman 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, 2022, and have issued our report thereon dated June 16, 2023. 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 did not disclose any immaterial instance of noncompliance with other state laws and regulations.

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, MS

June 16, 2023