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CITY OF PETAL, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CITY OF PETAL
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Petal, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of the City of Petal, Mississippi as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City's Contributions on pages 7-14, and 56-59 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 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

June 29, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

This Discussion and Analysis of The City of Petal, MS' financial performance provides a narrative overview and analysis of the City's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 were as follows:

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2017 by \$13,158,902 (net position), which represents an decrease of \$78,395 from the prior year. This is due primarily from operations.

As of September 30, 2017, the City's governmental funds reported a combined fund balance of \$3,166,382, which represents a decrease of \$1,192,819.

During the fiscal year the City decreased its long-term debt by \$1,161,612 as a result of normal scheduled debt payments, and obtaining \$198,668 of equipment financed by capital leases.

The governmental activities expenses exceeded revenue and transfers in by approximately \$34,593 resulting in a net decrease in net position. The City's business-type activities expenses and transfers out exceeded revenues by approximately \$78,395.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

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.

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

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

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

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*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

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

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

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own functions. These funds are reported using the accrual basis of accounting.

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

Notes to the financial statements

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

Required Supplementary Information

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

Other Information

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$13,089,661 as of September 30, 2017.

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
	2017	2016	2017	2016	2017	2016		
Current and other assets	\$ 8,057,142	\$ 9,086,560	\$ 2,489,200	\$ 2,307,280	\$ 10,546,342	\$ 11,393,840	\$ (847,498)	-7.44%
Capital assets	19,555,093	18,501,782	14,500,641	14,730,203	34,055,734	33,231,985	823,749	2.48%
Total assets	<u>27,612,235</u>	<u>27,588,342</u>	<u>16,989,841</u>	<u>17,037,483</u>	<u>44,602,076</u>	<u>44,625,825</u>	<u>(23,749)</u>	<u>-0.05%</u>
Deferred outflow of resources	<u>652,563</u>	<u>1,489,741</u>	<u>39,480</u>	<u>128,066</u>	<u>692,043</u>	<u>1,617,807</u>	<u>(925,764)</u>	<u>-57.22%</u>
Long-term debt	16,486,663	17,438,275	-	210,000	16,486,663	17,648,275	(1,161,612)	-6.58%
Net pension liability	8,389,291	9,032,047	900,360	970,952	9,289,651	10,002,999	(713,348)	-7.13%
Other liabilities	<u>703,177</u>	<u>609,767</u>	<u>637,274</u>	<u>522,243</u>	<u>1,340,451</u>	<u>1,132,010</u>	<u>208,441</u>	<u>18.41%</u>
Total liabilities	<u>25,579,131</u>	<u>27,080,089</u>	<u>1,537,634</u>	<u>1,703,195</u>	<u>27,116,765</u>	<u>28,783,284</u>	<u>(1,666,519)</u>	<u>-5.79%</u>
Deferred inflow of resources	<u>4,941,414</u>	<u>4,219,098</u>	<u>77,088</u>	<u>3,953</u>	<u>5,018,502</u>	<u>4,223,051</u>	<u>795,451</u>	<u>18.84%</u>
Net position:								
Net investment in capital assets:	3,354,912	1,380,566	14,500,641	14,520,203	17,855,553	15,900,769	1,954,784	12.29%
Restricted	-	-	-	129,150	-	129,150	(129,150)	-100.00%
Unrestricted	<u>(5,610,659)</u>	<u>(3,601,670)</u>	<u>913,958</u>	<u>809,048</u>	<u>(4,696,701)</u>	<u>(2,792,622)</u>	<u>(1,904,079)</u>	<u>68.18%</u>
Total net position	<u>\$ (2,255,747)</u>	<u>\$ (2,221,104)</u>	<u>\$ 15,414,599</u>	<u>\$ 15,458,401</u>	<u>\$ 13,158,852</u>	<u>\$ 13,237,297</u>	<u>\$ (78,445)</u>	<u>-0.59%</u>

By far the largest portion of City's net position (136%) reflects its investment in capital assets less related outstanding debt. The City completed the street paving projects and other infrastructure improvements from bond proceeds and other revenues which is reflected in the increase in capital assets in the governmental activities.

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

Changes in net position

Governmental activities decreased the City's net position by \$34,643 and the business activities decreased the City's net position by \$113,043. The key elements of these changes are reported in the following statement. These decreases are primarily result of operations.

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

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2017	2016	2017	2016	2017	2016		
Program Revenues:								
Charges for Services	\$ 439,671	\$ 429,393	\$ 4,216,500	\$ 3,957,267	\$ 4,656,171	\$ 4,386,660	\$ 269,511	6.14%
Grants and Donations	2,269,425	1,052,430	-	-	2,269,425	1,052,430	1,216,995	115.64%
General Revenues:								
Property Taxes	4,672,031	4,517,421	-	-	4,672,031	4,517,421	154,610	3.42%
Sales Taxes	2,620,700	2,506,377	-	-	2,620,700	2,506,377	114,323	4.56%
Other Taxes and Other	1,271,680	646,131	72,041	898	1,343,721	647,029	696,692	107.68%
Gain (loss) sale of Capital Assets	6,798	(20,184)	1,652	(104,444)	8,450	(124,628)	133,078	-106.78%
Total Revenues	11,280,305	9,131,568	4,290,193	3,853,721	15,570,498	12,985,289	2,585,209	19.91%
Program Expenses:								
General Government	3,343,230	804,622	-	-	3,343,230	804,622	2,538,608	315.50%
Court	352,305	280,881	-	-	352,305	280,881	71,424	25.43%
Public Safety	3,767,533	3,703,881	-	-	3,767,533	3,703,881	63,652	1.72%
Public Works	1,502,208	1,341,062	-	-	1,502,208	1,341,062	161,146	12.02%
Culture & Recreation	1,186,661	899,808	-	-	1,186,661	899,808	286,853	31.88%
Interest and Other Charges	536,059	569,486	4,200	-	540,259	569,486	(29,227)	-5.13%
Pension expense	1,346,077	1,622,660	147,834	160,045	1,493,911	1,782,705	(288,794)	-16.20%
Water and Sewer	-	-	2,588,624	2,496,080	2,588,624	2,496,080	92,544	3.71%
Solid Waste	-	-	874,212	784,914	874,212	784,914	89,298	11.38%
Total Expenses	12,034,073	9,222,400	3,614,870	3,441,039	15,648,943	12,663,439	2,985,504	23.58%
Increase(decrease) in net assets								
before transfers and prior period	(753,768)	(90,832)	675,323	412,682	(78,445)	321,850	(400,295)	-124.37%
Net transfers	719,125	(4,305,956)	(719,125)	4,307,554	-	1,598	-	
Prior Period Adjustment	-	-	-	-	-	-	-	
Change in Net Position	\$ (34,643)	\$ (4,396,788)	\$ (43,802)	\$ 4,720,236	\$ (78,445)	\$ 323,448	\$ (401,893)	

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*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As the City completed the year, its governmental funds reported a combined fund balance of \$3,166,382, a decrease of \$1,192,819. \$2,572,738 or 81%, 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 \$913,145. The fund balance of Other Governmental Funds showed a decrease in the amount of \$279,674. These decreases result primarily from completion of street paving and other infrastructure projects.

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 \$913,958 is comprised of \$740,656 for the water and sewer and \$173,302 for the solid waste fund. User fees and charges were sufficient to cover costs this year. The decrease in net position of \$18,300 for the water and sewer fund and decrease of \$25,502 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 2017, the City's general fund budget was amended. All recommendations for a change come from the department heads to the City Clerk for review before going to the Mayor and Board of Aldermen for consideration. The City does not allow budget changes that modify line items within any department without Board approval. The General Fund is closely monitored for possible revenue shortfalls or over spending, since it supports so many departments. The General Fund original budgeted revenues were \$7,528,400; with the final budgeted amount being \$10,162,194; and with \$10,086,182 in actual revenue collections. The General Fund's original budgeted expenditures of \$7,608,219 were amended to \$10,372,247, with actual expenditures of \$10,192,943.

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*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017, the City has over \$34,000,000 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
	2017	2016	2017	2016	2017	2016		
Land	\$ 597,495	\$ 597,495	\$ 21,994	\$ 21,994	\$ 619,489	\$ 619,489	\$ -	0%
Buildings and improvements	4,328,496	4,105,385	229,959	238,141	4,558,455	4,346,526	211,929	4.88%
Equipment	1,781,079	1,668,402	262,491	228,384	2,042,985	1,896,201	146,784	7.74%
Infrastructure	12,722,628	11,991,229	13,986,197	14,238,684	26,708,825	26,229,913	478,912	1.83%
Totals	\$ 19,429,698	\$ 18,362,511	\$ 14,500,641	\$ 14,727,203	\$ 33,929,754	\$ 33,092,129	\$ 837,625	2.53%

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

Debt

At year-end, the City had \$16,486,663 in bonds, notes, and leases outstanding compared to \$17,438,275 last year - a decrease of \$1,161,612.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
General Obligation Bonds	\$ 15,810,000	\$ 16,673,000	\$ -	\$ -	\$ 15,810,000	\$ 16,673,000	\$ (863,000)	-5.18%
Limited & Special Obligation Bonds	-	-	-	210,000	-	210,000	(210,000)	-100.00%
Capital Leases	676,663	765,275	-	-	676,663	765,275	(88,612)	-11.58%
Totals	\$ 16,486,663	\$ 17,438,275	\$ -	\$ 210,000	\$ 16,486,663	\$ 17,648,275	\$ (1,161,612)	-6.58%

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

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2017*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2018 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 2018.

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PETAL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 3,098,014	\$ 1,645,860	\$ 4,743,874
Receivables, net of allowance for uncollectibles	4,717,405	98,206	4,815,611
Due from other funds	208,513	99,423	307,936
Unbilled revenue	-	325,030	325,030
Inventory, at cost	-	11,205	11,205
Other receivables	-	21,086	21,086
Prepaid items	33,210	-	33,210
Restricted Assets			
Customer deposits	-	288,390	288,390
Land	597,495	21,993	619,488
Capital assets, net	18,832,203	14,478,648	33,310,851
Capitalized interest and bond costs (net)	125,445	-	125,445
Total Assets	<u>27,612,285</u>	<u>16,989,841</u>	<u>44,602,126</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	366,081	39,480	405,561
Unamortized amount on debt refunding	286,482	-	286,482
Total Deferred Outflow of Resources	<u>652,563</u>	<u>39,480</u>	<u>692,043</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	181,561	287,652	469,213
Due to other funds	314,069	300	314,369
Other payables	52,078	86,627	138,705
Customer deposits	-	258,080	258,080
Accrued interest	110,467	-	110,467
Compensated absences	45,002	4,615	49,617
Noncurrent liabilities:			
Net pension liability	8,389,291	900,360	9,289,651
Debt due within one year	1,338,096	-	1,338,096
Debt due in more than one year	15,148,567	-	15,148,567
Total Liabilities	<u>25,579,131</u>	<u>1,537,634</u>	<u>27,116,765</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	688,545	77,088	765,633
Property taxes levied for subsequent year	4,252,869	-	4,252,869
Total Deferred Inflow of Resources	<u>4,941,414</u>	<u>77,088</u>	<u>5,018,502</u>
NET POSITION			
Net investment in capital assets	3,354,962	14,500,641	17,855,603
Restricted for debt covenants	-	-	-
Unrestricted	(5,610,659)	913,958	(4,696,701)
Total Net Position	<u>\$ (2,255,697)</u>	<u>\$ 15,414,599</u>	<u>\$ 13,158,902</u>

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

CITY OF PETAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 3,343,230	\$ -	\$ 2,009,507	\$ -	\$ (1,333,723)		\$ (1,333,723)
Court	352,305	226,369	-	-	(125,936)		(125,936)
Public safety	3,767,533	-	60,672	-	(3,706,861)		(3,706,861)
Public works	1,502,208	132,855	179,036	20,210	(1,170,107)		(1,170,107)
Culture & recreation	1,186,661	80,447	-	-	(1,106,214)		(1,106,214)
Pension expense	1,346,077	-	-	-	(1,346,077)		(1,346,077)
Interest/other charges on long-term debt	536,059	-	-	-	(536,059)		(536,059)
Total governmental activities	12,034,073	439,671	2,249,215	20,210	(9,324,977)		(9,324,977)
Business-type activities							
Water & Sewer	2,588,624	3,367,984	-	-		\$ 779,360	779,360
Solid Waste	874,212	848,516	-	-		(25,696)	(25,696)
Interest/other charges on long-term debt	4,200	-	-	-		(4,200)	(4,200)
Pension expense	147,834	-	-	-		(147,834)	(147,834)
Total business-type activities	3,614,870	4,216,500	-	-		601,630	601,630
Total	\$ 15,648,943	\$ 4,656,171	\$ 2,249,215	\$ 20,210	(9,324,977)	601,630	(8,723,347)
General revenues:							
Property taxes					4,672,031	-	4,672,031
Sales taxes					2,620,700	-	2,620,700
Franchise taxes and privilege licenses					501,049	-	501,049
Transfers					719,125	(719,125)	-
Unrestricted investment earnings					4,416	2,668	7,084
Other					766,265	69,373	835,638
Gain/loss on sale of assets					6,798	1,652	8,450
Total general revenues					9,290,384	(645,432)	8,644,952
Change in net position					(34,593)	(43,802)	(78,395)
Net position - beginning					(2,221,104)	15,458,401	13,237,297
Net position - ending					\$ (2,255,697)	\$ 15,414,599	\$ 13,158,902

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

FUND FINANCIAL STATEMENTS

CITY OF PETAL
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

Exhibit C

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS			
Cash and other deposits	\$ 2,528,550	\$ 569,464	\$ 3,098,014
Franchise fees receivable	125,680	-	125,680
Fines receivable, net of \$2,100,000	43,699	-	43,699
Due from other governments	245,336	-	245,336
Property taxes levied for subsequent year	3,700,000	552,869	4,252,869
Prepaid Insurance	33,210	-	33,210
Due from other funds	85,649	76,232	161,881
Other receivables	49,166	655	49,821
Total Assets	<u>\$ 6,811,290</u>	<u>\$ 1,199,220</u>	<u>\$ 8,010,510</u>
LIABILITIES AND OTHER CREDITS			
Accounts payable	\$ 181,523	\$ 38	\$ 181,561
Other payables	10,735	530	11,265
Insurance payable	40,665	-	40,665
Due to other funds	228,720	85,349	314,069
Total Liabilities	<u>461,643</u>	<u>85,917</u>	<u>547,560</u>
DEFERRED INFLOWS OF RESOURCES			
Revenues not available - court fines	43,699	-	43,699
Property taxes levied for subsequent year	3,700,000	552,869	4,252,869
	<u>3,743,699</u>	<u>552,869</u>	<u>4,296,568</u>
FUND BALANCES:			
Restricted for bond	-	494,331	494,331
Restricted for prepaid items	33,210	-	33,210
Assigned, reported in			
Special revenue funds	-	66,103	66,103
Unassigned, reported in			
General fund	2,572,738	-	2,572,738
Total fund balances	<u>2,605,948</u>	<u>560,434</u>	<u>3,166,382</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,811,290</u>	<u>\$ 1,199,220</u>	<u>\$ 8,010,510</u>

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

CITY OF PETAL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Exhibit C-1

Total Fund Balance-Governmental Funds (Exhibit C)	\$ 3,166,382
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,403,634	19,429,113
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds	43,699
Bond issuance costs are deferred in the Statement of Net Position and amortized over the term of the bonds	125,445
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	(8,389,291)
Compensated absences	(45,002)
Accrued interest expense	(110,467)
Deferred outflows and inflows of resources are applicable to future periods and, therefore are not reported in the funds:	
Unamortized amount on debt refunding	286,482
Deferred outflows of resources related to pensions	366,081
Deferred inflows of resources related to pensions	(688,545)
Long-term debt, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(16,486,663)
Net position from Internal Service Fund (Exhibit E)	<u>47,069</u>
Total Net Position-Governmental Activities (Exhibit A)	<u>\$ (2,255,697)</u>

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit D

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 4,111,867	\$ 560,164	\$ 4,672,031
Licenses and fees	501,049	-	501,049
Intergovernmental revenue	4,643,843	246,282	4,890,125
Charges for services	437,655	-	437,655
Earnings on investments	3,638	778	4,416
Other	<u>357,982</u>	<u>51,576</u>	<u>409,558</u>
TOTAL REVENUE	<u>10,056,034</u>	<u>858,800</u>	<u>10,914,834</u>
EXPENDITURES			
General government	3,339,373	-	3,339,373
Court	368,886	-	368,886
Public safety	4,069,229	70,448	4,139,677
Public works	1,142,903	1,224,733	2,367,636
Culture & recreation	1,436,800	50,560	1,487,360
Debt service			
Principal	335,957	814,323	1,150,280
Interest	36,913	495,147	532,060
Other	-	6,649	6,649
Total expenditures	<u>10,730,061</u>	<u>2,661,860</u>	<u>13,391,921</u>
Excess (deficiency) of revenues over expenditures	<u>(674,027)</u>	<u>(1,803,060)</u>	<u>(2,477,087)</u>
Other financing sources (uses):			
Transfers in	-	1,523,386	1,523,386
Transfers out	(804,261)	-	(804,261)
Proceeds from capital lease	198,668	-	198,668
Insurance proceeds	356,657	-	356,657
Sale of capital assets	<u>9,818</u>	<u>-</u>	<u>9,818</u>
Total other financing sources (uses)	<u>(239,118)</u>	<u>1,523,386</u>	<u>1,284,268</u>
Net change in fund balance	(913,145)	(279,674)	(1,192,819)
Fund Balances - Beginning	<u>3,519,093</u>	<u>840,108</u>	<u>4,359,201</u>
Fund Balances - Ending	<u>\$ 2,605,948</u>	<u>\$ 560,434</u>	<u>\$ 3,166,382</u>

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

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CITY OF PETAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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)	\$ (1,192,819)
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	1,944,234
	Depreciation	(874,027)
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.	(3,020)
3	Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount that debt proceeds exceeded debt payments in the current period.	
	Debt payments	1,150,280
	Debt proceeds	(198,668)
4	Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the net effect of these differences in the treatment of long-term debt and related items.	
	Amortization of debt issuance cost	(30,577)
	Amortization of premium debt refunding	(13,827)
5	Fine revenue recognized using the full accrual basis of accounting in the Statement of Activities do not provide current financial resources and are not reported as revenue in the funds.	2,016
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	8,298
	Accrued interest	2,650
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	(1,346,077)
	Recording of contributions made subsequent to the measurement date	516,315
	Internal service fund is used by the City to charge the costs of auto and equipment maintenance to individual funds. The net revenue (cost) of the internal service fund is reported with governmental activities.	<u>629</u>
	Change in Net Position of Governmental Activities	<u>\$ (34,593)</u>

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

CITY OF PETAL
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

Exhibit E

	Business-type Activities - Enterprise funds			Internal Service
	Water and Sewer Fund	Solid Waste Fund	Totals	Central Fueling Station
ASSETS				
Cash and cash equivalents	\$ 1,448,096	\$ 197,764	\$ 1,645,860	\$ -
Customer receivables, net of allowance	82,855	15,351	98,206	-
Due from other funds	60,936	38,487	99,423	46,632
Unbilled revenue	263,327	61,703	325,030	-
Other receivables	17,241	3,845	21,086	-
Inventory, at cost	11,205	-	11,205	-
Restricted Assets				
Customer deposits	288,390	-	288,390	-
Land	21,993	-	21,993	-
Capital assets, net	<u>14,429,562</u>	<u>49,086</u>	<u>14,478,648</u>	<u>585</u>
Total Assets	<u>16,623,605</u>	<u>366,236</u>	<u>16,989,841</u>	<u>47,217</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to pensions	<u>39,480</u>	<u>-</u>	<u>39,480</u>	<u>-</u>
Total deferred outflow of resources	<u>39,480</u>	<u>-</u>	<u>39,480</u>	<u>-</u>
LIABILITIES				
Accounts Payable	\$ 149,172	\$ 138,480	\$ 287,652	-
Other payables	81,259	5,368	86,627	148
Due to other funds	300	-	300	-
Customer deposits	258,080	-	258,080	-
Compensated absences	4,615	-	4,615	-
Noncurrent liabilities:				
Net pension liability	<u>900,360</u>	<u>-</u>	<u>900,360</u>	<u>-</u>
Total Liabilities	<u>1,393,786</u>	<u>143,848</u>	<u>1,537,634</u>	<u>148</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflows related to pensions	<u>77,088</u>	<u>-</u>	<u>77,088</u>	<u>-</u>
Total deferred inflow of resources	<u>77,088</u>	<u>-</u>	<u>77,088</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,451,555	49,086	14,500,641	585
Unrestricted	<u>740,656</u>	<u>173,302</u>	<u>913,958</u>	<u>46,484</u>
Total Net Position	<u>\$15,192,211</u>	<u>\$222,388</u>	<u>\$15,414,599</u>	<u>\$47,069</u>

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2017

Exhibit F

	<u>Business-type Activities - Enterprise funds</u>			<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Central Fueling Station</u>
Operating revenues:				
Sales	\$ 2,515,886	\$ 737,081	\$ 3,252,967	\$ 685
Other fees and charges	98,909	18,170	117,079	-
Other revenue	194,327	93,265	287,592	-
Sewer treatment charges	<u>558,862</u>	<u>-</u>	<u>558,862</u>	<u>-</u>
	<u>3,367,984</u>	<u>848,516</u>	<u>4,216,500</u>	<u>685</u>
Operating expenses:				
Personnel services	494,108	-	494,108	-
Supplies and materials	262,355	-	262,355	-
Other services and charges	1,242,417	866,453	2,108,870	31
Capital outlay expenses	75,560	-	75,560	-
Pension expense	147,834	-	147,834	-
Depreciation and amortization	459,985	312	460,297	-
Bad debt expense	<u>54,199</u>	<u>7,447</u>	<u>61,646</u>	<u>-</u>
Total operating expenses	<u>2,736,458</u>	<u>874,212</u>	<u>3,610,670</u>	<u>31</u>
Operating income (loss)	631,526	(25,696)	605,830	654
Other sources (uses)				
Investment earnings	2,474	194	2,668	-
Insurance Proceeds	69,373	-	69,373	-
Transfer to other funds	(719,125)	-	(719,125)	-
Gain (loss) on sale of assets	1,652	-	1,652	(25)
Interest expense	<u>(4,200)</u>	<u>-</u>	<u>(4,200)</u>	<u>-</u>
	<u>(649,826)</u>	<u>194</u>	<u>(649,632)</u>	<u>(25)</u>
Change in net position	(18,300)	(25,502)	(43,802)	629
Total net position - beginning	<u>15,210,511</u>	<u>247,890</u>	<u>15,458,401</u>	<u>46,440</u>
Total net position - ending	<u>\$ 15,192,211</u>	<u>\$ 222,388</u>	<u>\$ 15,414,599</u>	<u>\$ 47,069</u>

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2017

Exhibit G

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash flow from operating activities:			
Cash received from customers (excluding deposit)	\$ 3,220,826	\$ 849,417	\$ 4,070,243
Cash paid to suppliers	(1,551,256)	(846,453)	(2,397,709)
Cash paid to employees	(494,108)	-	(494,108)
Net cash provided (used) by operating activities	<u>1,175,462</u>	<u>2,964</u>	<u>1,178,426</u>
Cash flow from noncapital financing activities:			
Insurance proceeds	69,373	-	69,373
Transfer from other funds	-	107,730	107,730
Transfer to other funds	(719,125)	-	(719,125)
Net cash flows provided (used) by noncapital financing activities	<u>(649,752)</u>	<u>107,730</u>	<u>(542,022)</u>
Cash flow from capital financing activities:			
Principal paid on bonds	(210,000)	-	(210,000)
Interest paid	(4,200)	-	(4,200)
Net cash flows provided (used) by capital financing activities	<u>(214,200)</u>	<u>-</u>	<u>(214,200)</u>
Cash flow from investing activities:			
Proceeds from sale of assets	1,652	-	1,652
Purchase of assets	(233,735)	-	(233,735)
Interest received	2,474	194	2,668
Net cash flows provided (used) by investing activities	<u>(229,609)</u>	<u>194</u>	<u>(229,415)</u>
Net increase (decrease) in cash for the year	81,901	110,888	192,789
Cash and restricted cash - October 1, 2016	<u>1,654,585</u>	<u>86,876</u>	<u>1,741,461</u>
Cash and restricted cash - September 30, 2017	<u>\$ 1,736,486</u>	<u>\$ 197,764</u>	<u>\$ 1,934,250</u>

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

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CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2017

Exhibit G (continued)

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Totals
Operating income (loss)	\$ 631,526	\$ (25,696)	\$ 605,830
Adjustments to reconcile operating income to net cash provided by operating activities:			
Pension expense	147,834	-	147,834
Depreciation	459,985	312	460,297
Bad debt expense	54,199	7,447	61,646
(Increase) decrease in accounts receivable	(147,158)	(1,065)	(148,223)
(Increase) decrease in other assets	(19,022)	1,966	(17,056)
Increase (decrease) in other liabilities	(36,809)	-	(36,809)
Increase (decrease) in accounts payable	84,907	20,000	104,907
 Net cash provided by operating activities	 \$ 1,175,462	 \$ 2,964	 \$ 1,178,426
 Other Required Disclosures:			
Interest paid	\$ 4,200	\$ -	

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

CITY OF PETAL
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2017

Exhibit H

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 48
Due from other funds	6,493
Other receivable	<u>-</u>
Total Assets	<u>\$ 6,541</u>
LIABILITIES	
Other liability	\$ 6,541
Due to other funds	<u>-</u>
Total Liabilities	<u>\$ 6,541</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

Blended component unit.

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

Excluded from the reporting entity.

The City's financial reporting entity does not include the following entities, which are not component units of the City: Petal Municipal Separate City, 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.

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The City reports the following major governmental funds:

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

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

The City reports the following fund types:

GOVERNMENTAL FUNDS:

- **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.
- **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- **Debt Service Funds** are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUNDS:

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

Additionally the City reports the following major proprietary funds:

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

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

D. Account Classification

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

E. Encumbrances

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

F. Cash And Cash Equivalents

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

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

G. Investments

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

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

H. Receivables

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

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

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

I. Deferred Outflows/Inflows of Resources

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

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

J. Inventories And Prepaid Items

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

K. Restricted Assets

Certain proceeds from the Water and Sewer's enterprise fund customer meter deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited to the terms of the customer refundable deposit agreement.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

L. Capital Assets

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

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City's full liability in the amount of \$49,617 for accumulated unpaid personal leave is reported as a liability in the City's Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

O. Net Position and Fund Balances

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net positions 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.

P. Property Tax Revenues

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

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

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

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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:

	<u>2017</u>
<u>City of Petal</u>	
General Fund	39.37
GO Bond Refunding	2.10
5.0 M GO Bond Debt Service	3.79
Library	<u>0.95</u>
Total City Mills	<u>46.21</u>
 <u>Petal Municipal Separate School District</u>	
District Maintenance	55.00
School Building Program	4.56
School Limited Tax Note	<u>2.46</u>
Total School District Mills	<u>62.02</u>

Q. Budgets And Budgetary Accounting

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

R. Use of Estimates

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

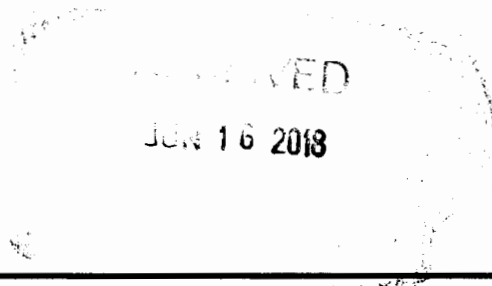
NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS

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 \$5,032,268, and the bank balance was \$5,150,826.



CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS

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

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

	General	Other Governmental	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Receivables:					
Accounts	\$ 125,680	\$ -	\$ 814,434	\$ 174,075	\$ 1,114,189
Court Fine Receivable	2,143,699	-	-	-	2,143,699
Other Receivable	49,166	655	17,241	3,845	70,907
Property Tax Receivable	3,700,000	552,869	-	-	4,252,869
Intergovernmental	245,336	-	-	-	245,336
Gross Receivables	6,263,881	553,524	831,675	177,920	7,827,000
Less: allowance for uncollectables	(2,100,000)	-	(731,579)	(158,724)	(2,990,303)
Total net receivables	<u>\$ 4,163,881</u>	<u>\$ 553,524</u>	<u>\$ 100,096</u>	<u>\$ 19,196</u>	<u>\$ 4,836,697</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>\$3,700,000</u>	<u>\$ 552,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,252,869</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4- INTER-FUND TRANSACTIONS AND BALANCES

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

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

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out:</u>	<u>Amount</u>
Nonmajor Governmental Funds	Water and Sewer Fund	<u>\$ 719,125</u>
Nonmajor Governmental Funds	General Fund	<u>\$ 804,261</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5- CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance 10/1/2016	Adjustments	Additions	Deletions	Balance 9/30/2017
Capital assets not being depreciated:					
Land and easements	\$ 597,495	-	-	-	\$ 597,495
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	<u>597,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,495</u>
Capital assets being depreciated:					
Buildings	3,319,192	-	330,000	-	3,649,192
Improvements other than buildings	2,675,245	-	60,983	-	2,736,228
Equipment:	-	-	-	-	-
Office & Other Equipment	307,940	-	76,173	-	384,113
Motor vehicles	1,873,933	-	78,101	-	1,952,034
Operating Equipment	1,565,990	-	177,963	(30,200)	1,713,753
Infrastructure	18,578,918	-	1,221,014	-	19,799,932
Total assets being depreciated	<u>28,321,218</u>	<u>-</u>	<u>1,944,234</u>	<u>(30,200)</u>	<u>30,235,252</u>
Totals at historical cost	<u>28,918,713</u>	<u>-</u>	<u>1,944,234</u>	<u>(30,200)</u>	<u>30,832,747</u>
Less accumulated depreciation					
Buildings	(860,889)	-	(69,977)	-	(930,866)
Improvements other than buildings	(1,028,163)	-	(97,895)	-	(1,126,058)
Equipment:	-	-	-	-	-
Office & Other Equipment	(161,189)	-	(21,623)	-	(182,812)
Motor vehicles	(1,190,630)	-	(86,427)	-	(1,277,057)
Operating Equipment	(728,227)	-	(108,490)	(27,180)	(809,537)
Infrastructure	(6,587,689)	-	(489,615)	-	(7,077,304)
Total accumulated depreciation	<u>(10,556,787)</u>	<u>-</u>	<u>(874,027)</u>	<u>(27,180)</u>	<u>(11,403,634)</u>
	<u>18,361,926</u>	<u>-</u>	<u>1,070,207</u>	<u>(3,020)</u>	<u>19,429,113</u>
Central Fueling Station:					
Capital assets being depreciated:					
Vehicles	13,063	-	-	-	13,063
Operating Equipment	9,000	-	-	-	9,000
Less accumulated depreciation					
Vehicles	(13,063)	-	-	-	(13,063)
Operating Equipment	(8,415)	-	-	-	(8,415)
Central Fueling Station capital assets, net	<u>585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585</u>
Governmental activities capital assets, net	<u>\$18,362,511</u>	<u>\$ -</u>	<u>\$ 1,070,207</u>	<u>\$ (3,020)</u>	<u>\$19,429,698</u>

Depreciation expense was charged to the following governmental functions:

	Depreciation
General government	\$ 6,933
Public Safety	158,196
Public Works, which includes the depreciation of general infrastructure assets	535,592
Culture and Recreation	173,306
Total governmental activities depreciation expense	<u>\$ 874,027</u>

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5- CAPITAL ASSETS (cont)

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

<u>Business-type Activities</u>	Balance 10/1/2016	Adjustments	Additions	Deletions	Balance 9/30/2017
Capital assets not being depreciated:					
Land and easements	\$ 21,994		-	-	\$ 21,994
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	<u>21,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,994</u>
Capital assets being depreciated:					
Buildings	313,506		-	-	313,506
Improvements other than buildings	1,901		-	-	1,901
Office Furniture/Equipment	4,000		-	-	4,000
Water/Sewer systems	27,026,135	-	160,800	-	27,186,935
Vehicles	211,864		-	-	211,864
Operating Equipment	587,604	-	72,935	-	660,539
Total assets being depreciated	<u>28,145,010</u>	<u>-</u>	<u>233,735</u>	<u>-</u>	<u>28,378,745</u>
Totals at historical cost	<u>28,167,004</u>	<u>-</u>	<u>233,735</u>	<u>-</u>	<u>28,400,739</u>
Less accumulated depreciation					
Buildings	(75,365)	-	(6,045)	-	(81,410)
Improvements other than buildings	(1,901)	-	(2,137)	-	(4,038)
Office Furniture/Equipment	(3,600)	-	-	-	(3,600)
Water/Sewer systems	(12,793,145)	-	(412,975)	-	(13,206,120)
Vehicles	(173,148)	-	(17,616)	-	(190,764)
Operating Equipment	(442,040)	-	(21,212)	-	(463,252)
Total accumulated depreciation	<u>(13,489,199)</u>	<u>-</u>	<u>(459,985)</u>	<u>-</u>	<u>(13,949,184)</u>
Water and Sewer capital assets, net	<u>14,677,805</u>	<u>-</u>	<u>(226,250)</u>	<u>-</u>	<u>14,451,555</u>
Solid Waste:					
Capital assets being depreciated:					
Infrastructure	8,896	-	-	-	8,896
Operating Equipment	122,869	-	-	-	122,869
Vehicles	54,221	-	-	-	54,221
Total assets being depreciated	<u>185,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,986</u>
Less accumulated depreciation					
Infrastructure	(3,202)	-	(312)	-	(3,514)
Operating Equipment	(109,397)	-	-	-	(109,397)
Vehicles	(23,989)	-	-	-	(23,989)
Total accumulated depreciation	<u>(136,588)</u>	<u>-</u>	<u>(312)</u>	<u>-</u>	<u>(136,900)</u>
Solid Waste capital assets, net	<u>49,398</u>	<u>-</u>	<u>(312)</u>	<u>-</u>	<u>49,086</u>
Total Business-type activities	<u>\$14,727,203</u>	<u>\$ -</u>	<u>\$ (226,562)</u>	<u>\$ -</u>	<u>\$14,500,641</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6- LONG-TERM LIABILITIES

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

	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017	Amount Due Within One Year
<u>GENERAL OBLIGATION BONDS</u>					
General Obligation Bonds, Series 2014 \$1.0M, 2.25%, matures 2024	\$ 823,000	\$ -	\$ (93,000)	\$ 730,000	\$ 95,000
General Obligation Refunding Bond, Series 2012 \$2.155M, 2.00%-2.375%, matures 2024	1,415,000	-	(165,000)	1,250,000	170,000
General Obligation Refunding Bond, Series 2015 \$3.1M, 2.0% - 3.0%, matures 2026	3,065,000	-	(265,000)	2,800,000	275,000
General Obligation W&S Refunding Bond, Series 2015 Refunding Series 2006 & 2007 W&S Revenue Bonds \$6.510M, 2.5% - 4.0%, matures 7/1/2032	6,510,000	-	-	6,510,000	-
General Obligation W&S Refunding Bond, Series 2016 Refunding Series 2006 & 2007 W&S Revenue Bonds \$4.885M, 2.0% - 4.0%, matures 7/1/2027	4,860,000	-	(340,000)	4,520,000	560,000
	<u>\$ 16,673,000</u>	<u>\$ -</u>	<u>\$ (863,000)</u>	<u>\$ 15,810,000</u>	<u>\$ 1,100,000</u>
<u>CAPITAL LEASES</u>					
Dispatch Console Lease 2.14%, matures 3/2018, annual payments	\$ 53,160	\$ -	\$ (26,296)	\$ 26,864	\$ 26,864
Radio Lease 2.34%, matures	22,659	-	(5,468)	17,191	5,597
Fire Truck Lease 3.21%, matures 9/17	48,821	-	(48,821)	-	-
Police Car Lease 1.33%, matures 3/2017	59,566	-	(59,566)	-	-
Musco Sports Lighting 5.45%, matures 9/12/2021	197,763	-	(35,377)	162,386	37,354
Fire Truck Lease 2.11%, matures 8/12/2020	160,456	-	(38,855)	121,601	39,682
Street Equipment Lease 2.41%, matures 5/15/2021	-	122,495	-	122,495	29,538
Fire Department Radios 2.39%, Matures 4/27/20	-	76,173	-	76,173	24,787
Street Equipment Lease 1.89%, matures 3/15/2019	222,850	-	(72,897)	149,953	74,274
	<u>\$ 765,275</u>	<u>\$ 198,668</u>	<u>\$ (287,280)</u>	<u>\$ 676,663</u>	<u>\$ 238,096</u>
TOTAL GOVERNMENTAL PURPOSE DEBT	<u>\$ 17,438,275</u>	<u>\$ 198,668</u>	<u>\$ (1,150,280)</u>	<u>\$ 16,486,663</u>	<u>\$ 1,338,096</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6- LONG-TERM LIABILITIES (cont)

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

	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017	Amount Due Within One Year
<u>REVENUE SPECIAL OBLIGATION BONDS</u>					
\$6.5 M Water & Sewer, Series 2007	\$ 210,000	\$ -	\$ (210,000)	\$ -	\$ -
5.0%-4.0% interest, matures 2032	\$ 210,000	\$ -	\$ (210,000)	\$ -	\$ -
BUSINESS-TYPE ACTIVITY DEBT	\$ 210,000	\$ -	\$ (210,000)	\$ -	\$ -
	\$ 17,648,275	\$ 198,668	\$ (1,360,280)	\$ 16,486,663	\$ 1,338,096

Governmental Activities Long-Term Debt

General Obligation Bonds

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

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

<u>\$1.0M G.O. Bonds, Series 2014</u>		
	Principal	Interest
2018	95,000	16,425
2019	98,000	14,288
2020	101,000	12,083
2021	104,000	9,810
2022	107,000	7,470
5 year	225,000	7,628
	\$ 730,000	\$ 67,703

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%.

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6- LONG-TERM LIABILITIES (cont)

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
2018	170,000	26,619	2018	275,000	45,250
2019	170,000	23,219	2019	280,000	75,750
2020	175,000	19,819	2020	290,000	67,350
2021	180,000	16,319	2021	300,000	58,650
2022	185,000	12,719	2022	310,000	49,650
5 year	370,000	12,950	5 year	1,345,000	102,600
	<u>\$ 1,250,000</u>	<u>\$ 111,644</u>		<u>\$ 2,800,000</u>	<u>\$ 399,250</u>

General Obligation Water and Sewer Refunding Bonds

On April 9, 2015, the City issued GO Water and Sewer refunding bonds, Series 2015 in amount of \$6,510,000 with interest rate of 2.5% -4.00% to partially advance refund \$4,707,335 of outstanding water and sewer revenue bonds series 2006 with interest rates of 4.0% to 7.00% and to partially advance refund \$2,230,503 of outstanding water and sewer revenue bonds series 2007 with interest rates of 4.0% to 5.0%. The remainder of the 2006 series and 2007 series water and sewer bonds were refunded February 9, 2016, the City issued GO Water and Sewer refunding bonds, Series 2016 in amount of \$4,885,000 with interest rate of 2% - 3%.

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

\$6,510,000 GO W & S Refunding Bonds, Series 2015			\$4.885M GO W & S Refunding Bonds, Series 2016		
	Principal	Interest		Principal	Interest
2018	-	247,875	2018	560,000	118,500
2019	-	247,875	2019	580,000	107,300
2020	-	247,875	2020	595,000	95,700
2021	-	247,875	2021	620,000	83,800
2022	-	247,875	2022	635,000	71,400
5 year	1,280,000	712,625	5 year	1,530,000	170,100
5 year	3,760,000	802,200	6 year	-	-
5 year	1,470,000	76,800		-	-
	<u>\$ 6,510,000</u>	<u>\$ 2,831,000</u>		<u>\$ 4,520,000</u>	<u>\$ 646,800</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6- LONG-TERM LIABILITIES (cont)

Capital Leases

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

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

	Capital Leases	
	Prinicpal	Interest
2018	238,097	20,282
2019	217,013	13,920
2020	145,882	7,950
2021	<u>75,671</u>	<u>3,222</u>
	<u>\$ 676,663</u>	<u>\$ 45,374</u>

Business Type Activities Long-Term Debt

The water and sewer revenue bonds series 2006 and series 2007 were partially refunded with general obligation bonds in April 2015. The balance of these revenue bonds were refunded with general obligation bonds in April 2016. These refunding issues remove the liability from the 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.

Compensated Absences Payable

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

Authorized Debt Limit	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation at fiscal year ended September 30, 2017 (\$101,482,644)	\$ 15,222,397	\$ 20,296,529
Present debt subject to 15% limitation	(10,735,868)	-
Present debt subject to 20% limitation including debt subject to 15% limitation	<u>-</u>	<u>(16,486,663)</u>
Margin for further debt under respective limits	<u>\$ 4,486,529</u>	<u>\$ 3,809,866</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8-DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$573,024, \$556,125 and \$551,390, respectively, which equaled the required contributions for each year.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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

At September 30, 2017, the City reported a liability of \$9,289,651 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.055883 percent.

For the year ended September 30, 2017, the City recognized pension expense of \$1,782,705. At September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157,584	\$ 96,385
Net difference between projected and actual earnings on pension plan investments	-	485,783
Changes of assumptions	104,721	18,402
Change in proportionate share	-	165,063
City contributions subsequent to the measurement date	143,256	-
Total	\$ 405,561	\$ 765,633

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:	
2018	\$ (112,470)
2019	(15,148)
2020	(53,012)
2021	(179,442)
2022	-
	\$ (360,072)

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

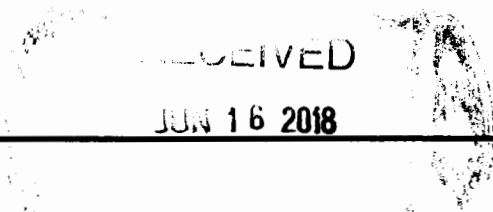
Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, set forward one year for males.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	100 %	

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



CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 12,183,998	\$ 9,289,651	\$ 68,86,715

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

NOTE 9-CONTINGENCIES

Federal Grants

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

NOTE 10-RISK MANAGEMENT

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

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

Participation in Public Entity Risk Pool:

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10-RISK MANAGEMENT (cont)

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

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

For a claim exceeding \$250,000, MMWCG has insurance, which will pay the excess up to the statutory limit. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

NOTE 11-MISSISSIPPI MUNICIPAL COMPLIANCE QUESTIONNAIRE

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

NOTE 12-SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions which existed after the Statement of Position date require disclosure in the accompanying notes. Management of City of Petal evaluated the activity of the City through June 29, 2018 (date financial statements were available) and determined the no subsequent events require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A

CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

General Fund

SCHEDULE 1A

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 3,983,000	\$ 3,983,000	\$ 4,111,867	\$ -	\$ 128,867
License and permits	612,500	647,500	501,049	35,000	(146,451)
Intergovernmental revenues	2,520,700	2,520,700	2,638,836	-	118,136
Charges for services	95,500	95,500	216,302	-	120,802
Fines and forfeitures	270,500	270,500	221,353	-	(49,147)
Other	46,200	2,644,994	2,396,775	2,598,794	(248,219)
TOTAL REVENUES	7,528,400	10,162,194	10,086,182	2,633,794	(76,012)
EXPENDITURES					
General Government	897,112	3,313,981	3,339,373	(2,416,869)	(25,392)
Judicial Department	296,332	296,332	368,886	-	(72,554)
Police Department	2,185,208	2,174,148	2,153,682	11,060	20,466
Fire Department	1,839,207	1,976,648	1,774,210	(137,441)	202,438
Building Inspection	237,390	234,890	194,527	2,500	40,363
Street Department	1,188,629	1,252,629	1,209,033	(64,000)	43,596
Recreation	749,071	882,900	902,231	(133,829)	(19,331)
Senior/Cultural Center	101,980	138,779	131,431	(36,799)	7,348
Civic Center	113,290	101,940	119,570	11,350	(17,630)
TOTAL EXPENDITURES	7,608,219	10,372,247	10,192,943	(2,764,028)	179,304
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(79,819)	(210,053)	(106,761)	(130,234)	103,292
Other Financing Sources (Uses)	-	(1,000,000)	(804,261)	(1,000,000)	(195,739)
NET CHANGE IN FUND BALANCE	\$ (79,819)	\$ (1,210,053)	(911,022)	\$ (1,130,234)	\$ (92,447)
Adjustments to GAAP Basis					
Revenue Accruals			534,995		
Expense Accruals			(537,118)		
NET CHANGE IN FUND BALANCE - GAAP BASIS			(913,145)		
FUND BALANCE-BEGINNING			3,519,093		
FUND BALANCE-ENDING			\$ 2,605,948		

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

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City of Petal

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	2015
City's proportionate share of the net pension liability (asset)	0.056%	0.056%	0.056%
City's proportion of the net pension liability (asset)	\$ 9,289,651	10,002,998	8,656,496
City's covered - employee payroll	3,638,248	3,530,952	3,500,889
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	255.333%	283.295%	247.266%
Plan fiduciary net position as a percentage of the total pension liability	61.490%	57.468%	61.704%

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

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

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

City of Petal

Required Supplementary Information

Schedule of the City's Contributions

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 573,024	\$ 556,125	\$ 551,390
Contributions in relation to the contractually required contribution	<u>573,024</u>	<u>556,125</u>	<u>551,390</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered - employee payroll	3,638,248	3,530,952	3,500,889
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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

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



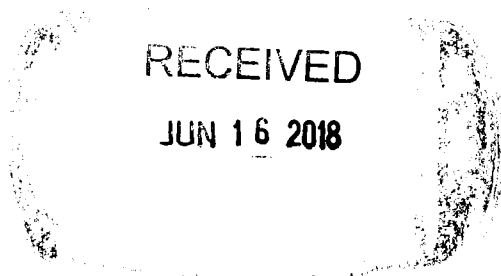
CITY OF PETAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

BUDGETARY COMPARISON SCHEDULE

- 1) Basis of Presentation. The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budget basis and variances between the final budget and the actual data.
- 2) The budget is adopted by the Board of Alderman. Amendments can be made of the approval of the Board. A budgetary comparison is presented for the major governmental funds consistent with accounting principles generally accepted in the United States of America

Pension Schedules:

- (1) There were no changes in benefit terms.
- (2) Changes of assumptions
 - 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected using Scale BB to 2022.
 - The wage inflation assumption was reduced from 3.75% to 3/25%. Pre-retirement mortality, withdrawal and disability 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.
 - 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- (3) Changes in benefit provisions
 - 2016
 - Effective July 2, 2017, the interest rate on employee contributions shall be calculated based on the money market 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.



OTHER SUPPLEMENTARY INFORMATION

City of Petal
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>		
Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$2,390,826
<i>Total Department of Homeland Security</i>		<u>2,390,826</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 2,390,826</u>

The accompanying notes are an integral part of this schedule

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**CITY OF PETAL, MISSISSIPPI
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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

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

CITY OF PETAL, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Honorable Mayor, Members of the
City Council, City Manager 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, 2017, 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 29, 2018.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. 2017-1

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*.

City of Petal, Mississippi’s Response to Findings

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, MS

June 29, 2018





HOLT & ASSOCIATES, PLLC

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Petal, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Petal, Mississippi's major federal programs for the year ended September 30, 2017. City of Petal's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Petal, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Petal's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Petal, Mississippi's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Petal, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City of Petal, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Petal, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Petal, Mississippi's internal control over compliance.

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

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

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

Holt & Associates, PLLC

Laurel, MS

June 29, 2018



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

Honorable Mayor, Members of the
City Council, City Manager 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, 2017, and have issued our report thereon dated June 29, 2018. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

Finding #1

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

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

Response: The city will make sure all expenditures are entered before making the final amendments to the budget.

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Finding #2

Condition: The City did not meet depository requirements that must be certified by the State Treasurer. According to Section 27-105-1, Miss. Code Ann. (1972), depositories must be listed on the collateralization report for the State Treasurer.

Recommendation: We recommend the City take greater care in reviewing bank accounts to determine that all accounts are listed on the collateralization report.

Response: The City will take greater care in making sure that all accounts are listed on the collateral report by carefully listing all accounts and reviewing before sending to bank for verification.

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 29, 2018

City of Petal, MS
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2017

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Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Nutrition Cluster:	
97.036	Disaster Grants-Public Assistance

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
|---|-----------|

9. Auditee qualified as low-risk auditee?

No

Section II: Financial Statement Findings

2017-1: Significant Deficiency

Criteria: The City's computer system should calculate water bills accurately.

Condition: Water bills with over 50,000 gallons of usage were not accurately calculated.

Cause: The City's computer system was not accurately calculating the bills once usage went over 50,000 gallons.

Effect: Customers with usage over 50,000 gallons were under billed.

Recommendation: The City should work with the computer company to have the bills accurately calculated and the City should test the calculations on a random basis and specifically after a rate change.

Section III: Federal Award Findings and Questioned Costs

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

City of Petal, MS
Auditee's Corrective Action Plan

As required by 2 CFR 200, Subpart F, Section 511(c) of Uniform Guidance, the City of Petal has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended September 30, 2017:

Finding	Corrective Action Details:
2017-1	<p>a. Name of contact person responsible for corrective action Name: Hal Marx Phone Number: 601-545-1776</p> <p>b. Corrective Action Planned: We will work to make sure the billings are correct when there is a future rate change</p> <p>c. Anticipated Completion Date: Immediately</p>