

CITY OF PETAL, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

CITY OF PETAL, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
Board of Alderman and City Clerk
CITY OF PETAL, MISSISSIPPI, 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, Mississippi as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CITY OF PETAL, MISSISSIPPI, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of the CITY OF PETAL, MISSISSIPPI, Mississippi as of September 30, 2021, 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 (pages 5-13) and budgetary comparison information, the Schedule of the Municipalities' Proportionate Share of the Net Pension Liability, and the Schedule of Municipal Contributions (pages 50-54), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The 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 January 13, 2023 on our consideration of the CITY OF PETAL, MISSISSIPPI, 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, Mississippi's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS

January 13, 2023

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

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

The following discussion and analysis of The CITY OF PETAL, MISSISSIPPI's financial performance provides an overview of the City's financial activities for the year ended September 30, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2021 by \$19,774,799 (net position), which represents an increase of \$4,005,286 from the prior year. This is due primarily from operations.
- As of September 30, 2021, the City's governmental funds reported a combined fund balance of \$6,630,739, which represents an increase of \$2,404,100 from the prior year.
- During the fiscal year the City decreased its net long-term debt by \$1,483,446 as a result of normal scheduled debt payments.
- The governmental activities revenues and transfers in exceeded expenses and transfers out by approximately \$3,102,642 resulting in a net increase in net position. The City's business-type activities revenues exceeded expenses and transfers out by approximately \$902,644.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

Fund Financial Statements

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

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

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

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

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

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

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

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

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

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Although not a required part of the basic financial statements, this report also presents a Schedule of Surety Bonds for Municipal Officials as requested by the Mississippi State Auditors Office.

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

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 \$19,774,799 as of September 30, 2021.

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 |
|-----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|---------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| Current and other assets | \$ 13,457,765 | \$ 9,182,897 | \$ 5,316,751 | \$ 4,368,981 | \$ 18,774,516 | \$ 13,551,878 | \$ 5,222,638 | 38.54% |
| Capital assets | 17,561,483 | 18,834,333 | 13,537,550 | 13,884,937 | 31,099,033 | 32,719,270 | (1,620,237) | -4.95% |
| Total assets | <u>31,019,248</u> | <u>28,017,230</u> | <u>18,854,301</u> | <u>18,253,918</u> | <u>49,873,549</u> | <u>46,271,148</u> | <u>3,602,401</u> | <u>7.79%</u> |
| Deferred outflow of resources | <u>1,848,955</u> | <u>1,487,637</u> | <u>176,207</u> | <u>135,220</u> | <u>2,025,162</u> | <u>1,622,857</u> | <u>402,305</u> | <u>24.79%</u> |
| Long-term debt | 11,638,367 | 13,045,367 | 355,571 | 429,316 | 11,993,938 | 13,474,683 | (1,480,745) | -10.99% |
| Net pension liability | 8,147,618 | 10,853,336 | 868,449 | 1,149,144 | 9,016,067 | 12,002,480 | (2,986,413) | -24.88% |
| Unearned revenue | 1,306,913 | - | - | - | 1,306,913 | - | 1,306,913 | 100.00% |
| Other liabilities | 611,116 | 621,254 | 462,930 | 632,869 | 1,074,046 | 1,254,123 | (180,077) | -14.36% |
| Total liabilities | <u>21,704,014</u> | <u>24,519,957</u> | <u>1,686,950</u> | <u>2,211,329</u> | <u>23,390,964</u> | <u>26,731,286</u> | <u>(3,340,322)</u> | <u>-12.50%</u> |
| Deferred inflow of resources | <u>8,379,674</u> | <u>5,303,037</u> | <u>353,274</u> | <u>90,169</u> | <u>8,732,948</u> | <u>5,393,206</u> | <u>3,339,742</u> | <u>61.92%</u> |
| Net position: | | | | | | | | |
| Net investment in capital assets: | 6,087,290 | 5,983,717 | 13,181,979 | 13,455,621 | 19,269,269 | 19,439,338 | (170,069) | -0.87% |
| Restricted | - | - | - | - | - | - | - | |
| Unrestricted | <u>(3,302,775)</u> | <u>(6,301,844)</u> | <u>3,808,305</u> | <u>2,632,019</u> | <u>505,530</u> | <u>(3,669,825)</u> | <u>4,175,355</u> | <u>113.78%</u> |
| Total net position | <u>\$ 2,784,515</u> | <u>\$ (318,127)</u> | <u>\$ 16,990,284</u> | <u>\$ 16,087,640</u> | <u>\$ 19,774,799</u> | <u>\$ 15,769,513</u> | <u>\$ 4,005,286</u> | <u>25.40%</u> |

By far the largest portion of City's net position (97.4%) reflects its investment in capital assets less related outstanding debt

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

Changes in net position

Governmental activities increased the City's net position by \$3,102,642 and the business activities increased the City's net position by \$902,644. The key elements of these changes are reported in the following statement. These increases are primarily result of operations.

Table 2
Condensed Statement of Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Totals | | Dollar Change | Percentage Change |
|------------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| Program Revenues: | | | | | | | | |
| Charges for Services | \$ 615,908 | \$ 633,375 | \$ 5,125,682 | \$ 4,969,660 | \$ 5,741,590 | \$ 5,603,035 | \$ 138,555 | 2.47% |
| Grants and Donations | 1,328,157 | 750,155 | - | - | 1,328,157 | 750,155 | 578,002 | 77.05% |
| General Revenues: | | | | | | | | |
| Property Taxes | 5,328,561 | 4,803,952 | - | - | 5,328,561 | 4,803,952 | 524,609 | 10.92% |
| Sales Taxes | 3,284,522 | 3,000,897 | - | - | 3,284,522 | 3,000,897 | 283,625 | 9.45% |
| Other Taxes and Other | 550,705 | 1,027,320 | 29,864 | 79,576 | 580,569 | 1,106,896 | (526,327) | -47.55% |
| Gain (loss) sale of Capital Assets | (126,897) | (4,465) | - | (3,809) | (126,897) | (8,274) | (118,623) | 1433.68% |
| Total Revenues | 10,980,956 | 10,211,234 | 5,155,546 | 5,045,427 | 16,136,502 | 15,256,661 | 879,841 | 5.77% |
| Program Expenses: | | | | | | | | |
| General Government | 893,603 | 1,030,871 | - | - | 893,603 | 1,030,871 | (137,268) | -13.32% |
| Court | 368,536 | 383,968 | - | - | 368,536 | 383,968 | (15,432) | -4.02% |
| Public Safety | 4,392,347 | 4,398,867 | - | - | 4,392,347 | 4,398,867 | (6,520) | -0.15% |
| Public Works | 1,835,641 | 1,486,565 | - | - | 1,835,641 | 1,486,565 | 349,076 | 23.48% |
| Culture & Recreation | 818,166 | 782,692 | - | - | 818,166 | 782,692 | 35,474 | 4.53% |
| Interest and Other Charges | 438,925 | 436,407 | - | - | 438,925 | 436,407 | 2,518 | 0.58% |
| Pension expense (recovery) | 82,771 | 1,096,989 | (701) | 109,505 | 82,070 | 1,206,494 | (1,124,424) | -93.20% |
| Water and Sewer | - | - | 2,317,635 | 2,359,455 | 2,317,635 | 2,359,455 | (41,820) | -1.77% |
| Solid Waste | - | - | 984,293 | 902,113 | 984,293 | 902,113 | 82,180 | 9.11% |
| Total Expenses | 8,829,989 | 9,616,359 | 3,301,227 | 3,371,073 | 12,131,216 | 12,987,432 | (856,216) | -6.59% |
| Increase(decrease) in net assets | | | | | | | | |
| before transfers and prior period | 2,150,967 | 594,875 | 1,854,319 | 1,674,354 | 4,005,286 | 2,269,229 | 1,736,057 | 76.50% |
| Net transfers | 951,675 | 941,675 | (951,675) | (941,675) | - | - | - | |
| Change in Net Position | \$ 3,102,642 | \$ 1,536,550 | \$ 902,644 | \$ 732,679 | \$ 4,005,286 | \$ 2,269,229 | \$ 1,736,057 | |

City of Petal, Mississippi
 Management Discussion and Analysis
 For the Year Ended September 30, 2021

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 \$6,630,739 an increase of \$2,404,100. \$5,285,731, or 80%, of the fund balance is unassigned, which is available for spending at the City's discretion. The remaining fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending, except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$1,703,876. The fund balance of the Other Governmental Funds showed an increase in the amount of \$699,656. These changes result primarily from operations. The increase in the fund balances for the other major funds were as follows:

| Major Fund | Increase (Decrease) |
|---------------------------|---------------------|
| American Rescue Plan Fund | \$ 568 |

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 \$3,808,305 is comprised of \$3,606,449 for the water and sewer and \$201,856 for the solid waste fund. User fees and charges were sufficient to cover costs this year. The increase in net position of \$888,240 for the water and sewer fund and increase of \$14,404 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 2021, the City's general fund budget was amended. All recommendations for a change come from the department heads to the City Clerk for review before going to the Mayor and Board of Aldermen for consideration. The City does not allow budget changes that modify line items within any department without Board approval. The General Fund is closely monitored for possible revenue shortfalls or over spending, since it supports so many departments. The General Fund original budgeted revenues were \$8,035,445; with the final budgeted amount being \$8,128,343; and with \$9,355,040 in actual revenue collections. The General Fund's original budgeted expenditures of \$8,427,573 were amended to \$8,488,043, with actual expenditures of \$7,740,601.

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the City has approximately \$31,000,000 invested in a large range of capital assets net of accumulated depreciation, including police and fire equipment, water and sewer lines, roads and buildings.

| | Governmental Activities | | Business-type Activities | | Totals | | Increase (Decrease) | Percentage Change |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|------------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| Land | \$ 613,225 | \$ 613,225 | \$ 21,994 | \$ 21,994 | \$ 635,219 | \$ 635,219 | \$ - | 0% |
| Buildings and improvements | 3,309,015 | 3,949,363 | 247,367 | 255,570 | 3,556,382 | 4,204,933 | (648,551) | -15.42% |
| Equipment | 1,867,430 | 2,110,331 | 544,165 | 551,457 | 2,411,595 | 2,661,788 | (250,193) | -9.40% |
| Infrastructure | <u>11,701,677</u> | <u>12,077,451</u> | <u>12,724,024</u> | <u>13,055,916</u> | <u>24,425,701</u> | <u>25,133,367</u> | <u>(707,666)</u> | -2.82% |
| Totals | <u>\$ 17,491,347</u> | <u>\$ 18,750,370</u> | <u>\$ 13,537,550</u> | <u>\$ 13,884,937</u> | <u>\$ 31,028,897</u> | <u>\$ 32,635,307</u> | <u>\$ (1,606,410)</u> | -4.92% |

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

Debt

At year-end, the City had \$11,993,937 in bonds, notes, and leases outstanding compared to \$13,477,384 last year - a decrease of \$1,483,447.

| | Governmental Activities | | Business-type Activities | | Totals | | Increase (Decrease) | Percentage Change |
|--------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|------------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| General Obligation Bonds | \$ 11,218,000 | \$ 12,422,000 | \$ - | \$ - | \$ 11,218,000 | \$ 12,422,000 | \$ (1,204,000) | -9.69% |
| SRF Emergency Loan | - | - | 267,382 | 299,399 | 267,382 | 299,399 | (32,017) | -10.69% |
| Capital Leases | <u>420,366</u> | <u>626,069</u> | <u>88,189</u> | <u>129,916</u> | <u>508,555</u> | <u>755,985</u> | <u>(247,430)</u> | -32.73% |
| Totals | <u>\$ 11,638,366</u> | <u>\$ 13,048,069</u> | <u>\$ 355,571</u> | <u>\$ 429,315</u> | <u>\$ 11,993,937</u> | <u>\$ 13,477,384</u> | <u>\$ (1,483,447)</u> | -11.01% |

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

City of Petal, Mississippi
Management Discussion and Analysis
For the Year Ended September 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget, tax rates, and fees that will be charged for the business-type activities. In an effort to maximize City efficiency and fiscal responsibility, the City Board did not increase property tax rates for 2022.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PETAL, MISSISSIPPI, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Exhibit A

| | Activities | Activities | Total |
|--|---------------------|----------------------|----------------------|
| ASSETS AND OTHER DEBITS | | | |
| Cash and cash equivalents | \$ 7,803,706 | \$ 4,395,148 | \$ 12,198,854 |
| Receivables, net of allowance for uncollectibles | 5,567,557 | 51,603 | 5,619,160 |
| Due from other funds | 2,378 | 92,941 | 95,319 |
| Unbilled revenue | - | 438,267 | 438,267 |
| Inventory, at cost | - | 12,066 | 12,066 |
| Other receivables | 84,124 | 8,381 | 92,505 |
| Restricted Assets | | | |
| Customer deposits | - | 318,345 | 318,345 |
| Land | 613,225 | 21,994 | 635,219 |
| Capital assets, net | 16,878,121 | 13,515,556 | 30,393,677 |
| Capitalized interest and bond costs (net) | 70,137 | - | 70,137 |
| Total Assets | 31,019,248 | 18,854,301 | 49,873,549 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 1,122,428 | 103,096 | 1,225,524 |
| Unamortized amount on debt refunding | 164,174 | - | 164,174 |
| Total Deferred Outflow of Resources | 1,286,602 | 103,096 | 1,389,698 |
| LIABILITIES AND OTHER CREDITS | | | |
| Accounts Payable | 157,281 | 129,520 | 286,801 |
| Due to other funds | 144,548 | - | 144,548 |
| Other payables | 156,535 | 45,109 | 201,644 |
| Customer deposits | - | 285,384 | 285,384 |
| Accrued interest | 94,327 | - | 94,327 |
| Compensated absences | 58,425 | 2,917 | 61,342 |
| Unearned revenue | 1,306,913 | - | 1,306,913 |
| Long-term liabilities, due within one year: | | | |
| Capital related debt | 1,396,432 | 76,309 | 1,472,741 |
| Long-term liabilities, due beyond one year: | | | |
| Capital related debt | 10,241,935 | 279,262 | 10,521,197 |
| Net pension liability | 8,147,618 | 868,449 | 9,016,067 |
| Total Liabilities | 21,704,014 | 1,686,950 | 23,390,964 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 2,832,760 | 280,163 | 3,112,923 |
| Property taxes levied for subsequent year | 4,984,561 | - | 4,984,561 |
| Total Deferred Inflow of Resources | 7,817,321 | 280,163 | 8,097,484 |
| NET POSITION | | | |
| Net investment in capital assets | 6,087,290 | 13,181,979 | 19,269,269 |
| Unrestricted | (3,302,775) | 3,808,305 | 505,530 |
| Total Net Position | \$ 2,784,515 | \$ 16,990,284 | \$ 19,774,799 |

The accompanying notes are an integral part of this statement.

CITY OF PETAL, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Exhibit B

| <u>Functions/Programs</u> | 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 | \$ 893,603 | \$ - | \$ 33,356 | \$ - | \$ (860,247) | | \$ (860,247) |
| Court | 368,536 | 368,877 | - | - | 341 | | 341 |
| Public safety | 4,392,347 | 106,288 | 60,024 | - | (4,226,035) | | (4,226,035) |
| Public works | 1,835,641 | - | 281,777 | 953,000 | (600,864) | | (600,864) |
| Culture & recreation | 818,166 | 140,743 | - | - | (677,423) | | (677,423) |
| Pension expense | 82,771 | - | - | - | (82,771) | | (82,771) |
| Interest/other charges on long-term debt | 438,925 | - | - | - | (438,925) | | (438,925) |
| Total governmental activities | <u>8,829,989</u> | <u>615,908</u> | <u>375,157</u> | <u>953,000</u> | <u>(6,885,924)</u> | | <u>(6,885,924)</u> |
| Business-type activities | | | | | | | |
| Water & Sewer | 2,317,635 | 4,127,611 | - | - | | \$ 1,809,976 | 1,809,976 |
| Solid Waste | 978,702 | 998,071 | - | - | | 19,369 | 19,369 |
| Pension expense | 4,890 | - | - | - | | (4,890) | (4,890) |
| Total business-type activities | <u>3,301,227</u> | <u>5,125,682</u> | <u>-</u> | <u>-</u> | | <u>1,824,455</u> | <u>1,824,455</u> |
| Total | <u>\$ 12,131,216</u> | <u>\$ 5,741,590</u> | <u>\$ 375,157</u> | <u>\$ 953,000</u> | <u>(6,885,924)</u> | <u>1,824,455</u> | <u>(5,061,469)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 5,328,561 | - | 5,328,561 |
| Sales taxes | | | | | 3,284,522 | - | 3,284,522 |
| Franchise taxes and privilege licenses | | | | | 543,235 | - | 543,235 |
| Transfers | | | | | 951,675 | (951,675) | - |
| Unrestricted investment earnings | | | | | 40,254 | 29,864 | 70,118 |
| Other | | | | | (32,784) | - | (32,784) |
| Gain/loss on sale of assets | | | | | (126,897) | - | (126,897) |
| Total general revenues | | | | | <u>9,988,566</u> | <u>(921,811)</u> | <u>9,066,755</u> |
| Change in net position | | | | | 3,102,642 | 902,644 | 4,005,286 |
| Net position - beginning | | | | | (318,127) | 16,087,640 | 15,769,513 |
| Net position - ending | | | | | <u>\$ 2,784,515</u> | <u>\$ 16,990,284</u> | <u>\$ 19,774,799</u> |

See accompanying notes and accountant's compilation report.

FUND FINANCIAL STATEMENTS

CITY OF PETAL, MISSISSIPPI
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

Exhibit C

| | General Fund | American Rescue Plan Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------------|--------------------------------|--------------------------------|
| ASSETS AND OTHER DEBITS | | | | |
| Cash and other deposits | \$ 5,182,949 | \$ 1,307,481 | \$ 1,313,276 | \$ 7,803,706 |
| Franchise fees receivable | 137,599 | - | - | 137,599 |
| Fines receivable, net of allowance | 77,189 | - | - | 77,189 |
| Due from other governments | 368,208 | - | - | 368,208 |
| Property taxes levied for subsequent year | 4,424,192 | - | 560,369 | 4,984,561 |
| Due from other funds | 2,378 | - | - | 2,378 |
| Other receivables | 49,753 | - | 34,371 | 84,124 |
| | <u>10,242,268</u> | <u>1,307,481</u> | <u>1,908,016</u> | <u>13,457,765</u> |
| Total Assets | \$ 10,242,268 | \$ 1,307,481 | \$ 1,908,016 | \$ 13,457,765 |
| LIABILITIES AND OTHER CREDITS | | | | |
| Accounts payable | \$ 155,574 | \$ - | \$ 1,707 | \$ 157,281 |
| Other payables | 98,951 | - | - | 98,951 |
| Insurance payable | 57,583 | - | - | 57,583 |
| Due to other funds | 143,048 | - | 1,500 | 144,548 |
| Unearned Revenue | - | 1,306,913 | - | 1,306,913 |
| | <u>455,156</u> | <u>1,306,913</u> | <u>3,207</u> | <u>1,765,276</u> |
| Total Liabilities | 455,156 | 1,306,913 | 3,207 | 1,765,276 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Revenues not available - court fines | 77,189 | - | - | 77,189 |
| Property taxes levied for subsequent year | 4,424,192 | - | 560,369 | 4,984,561 |
| | <u>4,501,381</u> | <u>-</u> | <u>560,369</u> | <u>5,061,750</u> |
| FUND BALANCES: | | | | |
| Restricted | | | | - |
| Resource Activity | - | 568 | 1,014,076 | 1,014,644 |
| Debt Service | - | - | 330,364 | 330,364 |
| Unassigned | 5,285,731 | - | - | 5,285,731 |
| | <u>5,285,731</u> | <u>568</u> | <u>1,344,440</u> | <u>6,630,739</u> |
| Total fund balances | 5,285,731 | 568 | 1,344,440 | 6,630,739 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 10,242,268 | \$ 1,307,481 | \$ 1,908,016 | \$ 13,457,765 |

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Exhibit C-1

| | | |
|---|----|---------------------|
| Total Fund Balance-Governmental Funds (Exhibit C) | \$ | 6,630,739 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$14,756,077 | | 17,491,346 |
| Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds | | 77,187 |
| Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds | | 70,137 |
| 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 | | (8,147,618) |
| Compensated absences | | (58,425) |
| Accrued interest expense | | (94,327) |
| Deferred outflows and inflows of resources are applicable to future periods and, therefore are not reported in the funds: | | |
| Unamortized amount on debt refunding | | 164,174 |
| Deferred outflows of resources related to pensions | | 1,684,781 |
| Deferred inflows of resources related to pensions | | (3,395,113) |
| Long-term debt, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(11,638,367)</u> |
| Total Net Position-Governmental Activities (Exhibit A) | \$ | <u>2,784,514</u> |

The accompanying notes are an integral part of this statement.

CITY OF PETAL, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Exhibit D

| | General Fund | American Rescue Plan Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------------------|--------------------------------|-----------------------------|
| REVENUES: | | | | |
| Property taxes | \$ 4,694,780 | \$ - | \$ 633,781 | \$ 5,328,561 |
| Licenses and fees | 543,235 | - | - | 543,235 |
| Intergovernmental revenue | 3,382,021 | - | 1,230,658 | 4,612,679 |
| Charges for services | 440,597 | - | - | 440,597 |
| Earnings on investments | 31,167 | 568 | 8,519 | 40,254 |
| Other | 39,993 | - | 29,945 | 69,938 |
| TOTAL REVENUE | <u>9,131,793</u> | <u>568</u> | <u>1,902,903</u> | <u>11,035,264</u> |
| EXPENDITURES | | | | |
| General government | 898,584 | - | - | 898,584 |
| Court | 237,162 | - | - | 237,162 |
| Public safety | 4,956,326 | - | 88,448 | 5,044,774 |
| Public works | 869,964 | - | 558,114 | 1,428,078 |
| Culture & recreation | 704,346 | - | - | 704,346 |
| Debt service | | | | |
| Principal | 620,492 | - | 1,100,000 | 1,720,492 |
| Interest | 38,533 | - | 408,360 | 446,893 |
| Total expenditures | <u>8,325,407</u> | <u>-</u> | <u>2,154,922</u> | <u>10,480,329</u> |
| Excess (deficiency) of revenues over expenditures | <u>806,386</u> | <u>568</u> | <u>(252,019)</u> | <u>554,935</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 955,841 | 955,841 |
| Transfers out | - | - | (4,166) | (4,166) |
| Proceeds from debt | 310,790 | - | - | 310,790 |
| Sale of capital assets | 689,420 | - | - | 689,420 |
| Other | (102,720) | - | - | (102,720) |
| Total other financing sources (uses) | <u>897,490</u> | <u>-</u> | <u>951,675</u> | <u>1,849,165</u> |
| Net change in fund balance | 1,703,876 | 568 | 699,656 | 2,404,100 |
| Fund Balances - Beginning | <u>3,581,855</u> | <u>-</u> | <u>644,784</u> | <u>4,226,639</u> |
| Fund Balances - Ending | <u>\$ 5,285,731</u> | <u>\$ 568</u> | <u>\$ 1,344,440</u> | <u>\$ 6,630,739</u> |

The accompanying notes are an integral part of this statement.

CITY OF PETAL, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Exhibit D-1

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

| | | |
|--|--|---------------------|
| Net change in fund balances - total governmental funds (Exhibit D) | | \$ 2,404,100 |
| 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 | 558,228 |
| | Depreciation | (1,000,934) |
| 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. | (816,317) |
| 3 | Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount that debt proceeds exceeded debt payments in the current period. | |
| | Debt payments | 1,720,492 |
| | Debt proceeds | (310,790) |
| 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. | 25,311 |
| 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 | (5,647) |
| | Accrued interest | 7,968 |
| 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 | (82,771) |
| | Recording of contributions made subsequent to the measurement date | 647,406 |
| | Change in Net Position of Governmental Activities | <u>\$ 3,102,642</u> |

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021**

Exhibit E

| | Business-type Activities - Enterprise funds | | |
|--|---|---------------------|---------------|
| | Water and Sewer Fund | Solid Waste Fund | Totals |
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,344,637 | \$ 50,511 | \$ 4,395,148 |
| Customer receivables, net of allowance | 43,267 | 8,336 | 51,603 |
| Due from other funds | 31,996 | 60,945 | 92,941 |
| Unbilled revenue | 354,531 | 83,736 | 438,267 |
| Other receivables | 4,536 | 3,845 | 8,381 |
| Inventory, at cost | 12,066 | - | 12,066 |
| Restricted Assets | | | |
| Customer deposits | 318,345 | - | 318,345 |
| Land | 21,994 | - | 21,994 |
| Capital assets, net | 13,499,820 | 15,736 | 13,515,556 |
| Total Assets | 18,631,192 | 223,109 | 18,854,301 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred outflows related to pensions | 176,207 | - | 176,207 |
| Total deferred outflow of resources | 176,207 | - | 176,207 |
| LIABILITIES | | | |
| Accounts Payable | \$ 129,520 | \$ - | \$ 129,520 |
| Other payables | 39,592 | 5,517 | 45,109 |
| Customer deposits | 285,384 | - | 285,384 |
| Compensated absences | 2,917 | - | 2,917 |
| Noncurrent liabilities: | | | |
| Lease payable | 88,189 | - | 88,189 |
| SRF loan payable | 267,382 | - | 267,382 |
| Net pension liability | 868,449 | - | 868,449 |
| Total Liabilities | 1,681,433 | 5,517 | 1,686,950 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred inflows related to pensions | 353,274 | - | 353,274 |
| Total deferred inflow of resources | 353,274 | - | 353,274 |
| NET POSITION | | | |
| Net investment in capital assets | 13,166,243 | 15,736 | 13,181,979 |
| Unrestricted | 3,606,449 | 201,856 | 3,808,305 |
| Total Net Position | \$ 16,772,692 | \$ 217,592 | \$ 16,990,284 |

The accompanying notes are an integral part of this statement.

CITY OF PETAL, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2021

Exhibit F

| | <u>Business-type Activities - Enterprise funds</u> | | |
|------------------------------------|--|-----------------------------|--------------------------|
| | <u>Water and Sewer Fund</u> | <u>Solid Waste Fund</u> | <u>Totals</u> |
| Operating revenues: | | | |
| Water and Sewer charges | \$ 3,246,665 | \$ 975,882 | \$ 4,222,547 |
| Other fees and charges | 227,818 | 22,189 | 250,007 |
| Sewer treatment charges | <u>653,128</u> | <u>-</u> | <u>653,128</u> |
| | <u>4,127,611</u> | <u>998,071</u> | <u>5,125,682</u> |
| Operating expenses: | | | |
| Personnel services | 455,904 | 43,695 | 499,599 |
| Supplies and materials | 238,868 | 541 | 239,409 |
| Other services and charges | 1,049,788 | 925,049 | 1,974,837 |
| Interest expense and fees | 8,073 | - | 8,073 |
| Pension expense (recovery) | (701) | 5,591 | 4,890 |
| Depreciation and amortization | 515,281 | 386 | 515,667 |
| Bad debt expense | <u>49,721</u> | <u>9,031</u> | <u>58,752</u> |
| Total operating expenses | <u>2,316,934</u> | <u>984,293</u> | <u>3,301,227</u> |
| Operating income (loss) | 1,810,677 | 13,778 | 1,824,455 |
| Other sources (uses) | | | |
| Investment earnings | 29,238 | 626 | 29,864 |
| Transfer to other funds | (951,675) | - | (951,675) |
| Gain (Loss) on disposal of assets | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>(922,437)</u> | <u>626</u> | <u>(921,811)</u> |
| Change in net position | 888,240 | 14,404 | 902,644 |
| Total net position - beginning | <u>15,884,452</u> | <u>203,188</u> | <u>16,087,640</u> |
| Total net position - ending | <u>\$ 16,772,692</u> | <u>\$ 217,592</u> | <u>\$ 16,990,284</u> |

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2021**

Exhibit G

| | Water and Sewer Fund | Solid Waste Fund | Totals |
|---|-------------------------|---------------------|--------------|
| Cash flow from operating activities: | | | |
| Cash received from customers (excluding deposit) | \$ 4,050,123 | \$ 984,263 | \$ 5,034,386 |
| Cash paid to suppliers | (1,476,595) | (1,005,991) | (2,482,586) |
| Cash paid to employees | (455,904) | (49,286) | (505,190) |
| Net cash provided (used) by operating activities | 2,117,624 | (71,014) | 2,046,610 |
| Cash flow from noncapital financing activities: | | | |
| Transfer (to) from other funds | (951,675) | - | (951,675) |
| Net cash flows provided (used) by noncapital financing activities | (951,675) | - | (951,675) |
| Cash flow from capital financing activities: | | | |
| Payments on lease | (41,727) | - | |
| Payments on loan | (32,017) | - | (32,017) |
| Net cash flows provided (used) by capital financing activities | (73,744) | - | (32,017) |
| Cash flow from investing activities: | | | |
| Purchase of assets | (167,894) | - | |
| Sale of assets | - | - | |
| Interest received | 29,238 | 626 | 29,864 |
| Net cash flows provided (used) by investing activities | (138,656) | 626 | 29,864 |
| Net increase (decrease) in cash for the year | 953,549 | (70,388) | 1,092,782 |
| Cash and restricted cash - October 1, 2020 | 3,709,433 | 120,899 | 3,830,332 |
| Cash and restricted cash - September 30, 2021 | \$ 4,662,982 | \$ 50,511 | \$ 4,713,493 |

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2021**

Exhibit G (continued)

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

| | Water and Sewer Fund | Solid Waste Fund | Totals |
|--|-------------------------|---------------------|--------------|
| Operating income (loss) | \$ 1,810,677 | \$ 13,778 | \$ 1,824,455 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Pension expense (recovery) | (701) | | (701) |
| Depreciation | 515,281 | 386 | 515,667 |
| Bad debt expense | 49,721 | 9,031 | 58,752 |
| (Increase) decrease in accounts receivable | (60,789) | (11,195) | (71,984) |
| (Increase) decrease in other assets | (42,976) | (7,862) | (50,838) |
| Increase (decrease) in other liabilities | (42,721) | - | (42,721) |
| Increase (decrease) in accounts payable | (110,868) | (75,152) | (186,020) |
| Net cash provided by operating activities | \$ 2,117,624 | \$ (71,014) | \$ 2,046,610 |
| Other Required Disclosures: | | | |
| Interest paid | \$ 8,073 | \$ - | |

The accompanying notes are an integral part of this statement.

**CITY OF PETAL, MISSISSIPPI
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2021**

Exhibit H

| | <u>Agency Funds</u> |
|----------------------|-------------------------|
| ASSETS | |
| Cash | \$ 3,313 |
| Due from other funds | 16,091 |
| | <u>-</u> |
| Total Assets | <u>\$ 19,404</u> |
| LIABILITIES | |
| Other liability | \$ 19,404 |
| | <u>-</u> |
| Total Liabilities | <u>\$ 19,404</u> |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

***CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021***

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

The accompanying financial statements present the government and its blended component unit, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended component unit.

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

Excluded from the reporting entity.

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following fund types:

GOVERNMENTAL FUNDS

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

FIDUCIARY FUNDS

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

Additionally the City reports the following major proprietary funds:

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

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

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

D. Account Classification

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Cash and cash equivalents

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

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

Investments

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

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

2. Receivables

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

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

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

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

3. Deferred Outflows/Inflows of Resources

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

4. Inventories And Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

7. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City’s full liability in the amount of \$61,342 for accumulated unpaid personal leave is reported as a liability in the City’s Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Liabilities

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

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

9. Net Position and Fund Balances

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

10. Property Tax Revenues

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

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

| | <u>September 30, 2021</u> |
|---|---------------------------|
| <u>City of Petal</u> | |
| General Fund | 40.13 |
| GO Bond Refunding | 3.27 |
| 5.0 M GO Bond Debt Service | 1.81 |
| Library | 0.5 |
| Solid Waste | <u>0.50</u> |
| Total City Mills | <u>46.21</u> |
| <u>Petal Municipal Separate School District</u> | |
| District Maintenance | 56.36 |
| School Building Program | 2.64 |
| School Shortfall Note | 1.01 |
| School Limited Tax Note | <u>1.83</u> |
| Total School District Mills | <u>61.84</u> |

11. Budgets And Budgetary Accounting

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

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

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

12. Use of Estimates

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS (cont)

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 \$12,517,345 and the bank balance was \$12,621,839.

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

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

| | General | American Rescue Plan Fund | Other Governmental | Water & Sewer Enterprise | Solid Waste Enterprise | Total |
|------------------------------------|---------------------|------------------------------|-----------------------|-----------------------------|---------------------------|---------------------|
| Receivables: | | | | | | |
| Accounts | \$ 137,599 | \$ - | \$ - | \$ 1,118,302 | \$ 224,992 | \$ 1,480,893 |
| Court Fine Receivable | 2,677,189 | - | - | - | - | 2,677,189 |
| Other Receivable | 49,753 | - | 34,371 | 4,536 | 3,845 | 92,505 |
| Property Tax Receivable | 4,424,192 | - | 560,369 | - | - | 4,984,561 |
| Intergovernmental | 368,208 | - | - | - | - | 368,208 |
| Gross Receivables | 7,656,941 | - | 594,740 | 1,122,838 | 228,837 | 9,603,356 |
| Less: allowance for uncollectables | (2,600,000) | - | - | (1,075,035) | (216,656) | (3,891,691) |
| Total net receivables | <u>\$ 5,056,941</u> | <u>\$ -</u> | <u>\$ 594,740</u> | <u>\$ 47,803</u> | <u>\$ 12,181</u> | <u>\$ 5,711,665</u> |

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

| | General | Other Governmental | Water & Sewer Enterprise | Solid Waste Enterprise | Total |
|---|---------------------|-----------------------|-----------------------------|---------------------------|---------------------|
| Property taxes levied for use in the subsequent year | <u>\$ 4,424,192</u> | <u>\$ 560,369</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,984,561</u> |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4- INTER-FUND TRANSACTIONS AND BALANCES

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

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

Transfers In/Out:

| <u>Transfers In</u> | <u>Transfers Out:</u> | <u>Amount</u> |
|--------------------------|--------------------------|---------------|
| Other Governmental Funds | Water and Sewer Fund | \$ 955,841 |
| Water and Sewer Fund | Other Governmental Funds | \$ 4,166 |

NOTE 5- CAPITAL ASSETS

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

| <u>Governmental Activities</u> | <u>Balance</u> <u>10/1/2020</u> | <u>Adjustments</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>9/30/2021</u> |
|---|------------------------------------|--------------------|---------------------|-------------------|------------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land and easements | \$ 613,225 | - | - | - | 613,225 |
| Construction in Progress | - | - | - | - | - |
| Total assets not being depreciated | <u>613,225</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>613,225</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 3,691,922 | - | - | 633,433 | 3,058,489 |
| Improvements other than buildings | 2,827,591 | - | - | - | 2,827,591 |
| Equipment: | | | | | |
| Office & Other Equipment | 384,113 | - | - | - | 384,113 |
| Motor vehicles | 2,532,610 | - | 364,700 | 488,513 | 2,408,797 |
| Operating Equipment | 1,984,024 | - | - | - | 1,984,024 |
| Infrastructure | 20,777,657 | - | 193,528 | - | 20,971,185 |
| Total assets being depreciated | <u>32,197,917</u> | <u>-</u> | <u>558,228</u> | <u>1,121,946</u> | <u>31,634,199</u> |
| Totals at historical cost | <u>32,811,142</u> | <u>-</u> | <u>558,228</u> | <u>1,121,946</u> | <u>32,247,424</u> |
| Less accumulated depreciation | | | | | |
| Buildings | (1,146,346) | - | (63,176) | (153,365) | (1,056,157) |
| Improvements other than buildings | (1,423,804) | - | (97,104) | - | (1,520,908) |
| Equipment: | | | | | |
| Office & Other Equipment | (262,379) | - | (26,521) | - | (288,900) |
| Motor vehicles | (1,374,569) | - | (120,095) | (152,264) | (1,342,400) |
| Operating Equipment | (1,153,468) | - | (124,736) | - | (1,278,204) |
| Infrastructure | (8,700,206) | - | (569,302) | - | (9,269,508) |
| Total accumulated depreciation | <u>(14,060,772)</u> | <u>-</u> | <u>(1,000,934)</u> | <u>(305,629)</u> | <u>(14,756,077)</u> |
| Governmental activities capital assets, net | <u>\$ 18,750,370</u> | <u>\$ -</u> | <u>\$ (442,706)</u> | <u>\$ 816,317</u> | <u>\$17,491,347</u> |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5- CAPITAL ASSETS (cont)

Depreciation expense was charged to the following governmental functions:

| | | |
|--|----|-------------------------|
| General government | \$ | 6,934 |
| Public Safety | | 189,708 |
| Public Works, which includes the depreciation of general infrastru | | 639,032 |
| Culture and Recreation | | 165,260 |
| Total governmental activities depreciation expense | \$ | <u><u>1,000,934</u></u> |

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

| Business-type Activities | Balance 10/1/2020 | Adjustments | Additions | Deletions | Balance 9/30/2021 |
|---------------------------------------|----------------------|-------------|--------------|-----------|----------------------|
| Capital assets not being depreciated: | | | | | |
| Land and easements | \$ 21,994 | - | - | - | 21,994 |
| Construction in Progress | - | - | - | - | - |
| Total assets not being depreciated | 21,994 | - | - | - | 21,994 |
| Water and Sewer | | | | | |
| Capital assets being depreciated: | | | | | |
| Buildings | 359,661 | - | - | - | 359,661 |
| Improvements other than buildings | 1,901 | - | - | - | 1,901 |
| Office Furniture/Equipment | 4,000 | - | - | - | 4,000 |
| Water/Sewer systems | 27,546,537 | - | 105,492 | - | 27,652,029 |
| Vehicles | 482,420 | - | 62,402 | - | 544,822 |
| Operating Equipment | 843,070 | - | - | - | 843,070 |
| Total assets being depreciated | 29,237,589 | - | 167,894 | - | 29,405,483 |
| Totals at historical cost | 29,259,583 | - | 167,894 | - | 29,427,477 |
| Less accumulated depreciation | | | | | |
| Buildings | (104,091) | - | (8,203) | - | (112,294) |
| Improvements other than buildings | (1,901) | - | - | - | (1,901) |
| Office Furniture/Equipment | (3,600) | - | - | - | (3,600) |
| Water/Sewer systems | (14,495,069) | - | (437,073) | - | (14,932,142) |
| Vehicles | (220,397) | - | (32,584) | - | (252,981) |
| Operating Equipment | (565,710) | - | (37,035) | - | (602,745) |
| Total accumulated depreciation | (15,390,768) | - | (514,895) | - | (15,905,663) |
| Water and Sewer capital assets, net | 13,868,815 | - | (347,001) | - | 13,521,814 |
| Solid Waste: | | | | | |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 8,896 | - | - | - | 8,896 |
| Operating Equipment | 122,869 | - | - | - | 122,869 |
| Vehicles | - | - | - | - | - |
| Total assets being depreciated | 131,765 | - | - | - | 131,765 |
| Less accumulated depreciation | | | | | |
| Infrastructure | (4,448) | - | (311) | - | (4,759) |
| Operating Equipment | (111,195) | - | (75) | - | (111,270) |
| Vehicles | - | - | - | - | - |
| Total accumulated depreciation | (115,643) | - | (386) | - | (116,029) |
| Solid Waste capital assets, net | 16,122 | - | (386) | - | 15,736 |
| Total Business-type activities | \$ 13,884,937 | \$ - | \$ (347,387) | \$ - | \$13,537,550 |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6- LONG-TERM LIABILITIES

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

| | Balance <u>10/1/2020</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>9/30/2021</u> | Amount Due Within One <u>Year</u> |
|---|-----------------------------|-------------------|-----------------------|-----------------------------|---|
| <u>GENERAL OBLIGATION BONDS</u> | | | | | |
| General Obligation Bonds, Series 2014 \$1.0M, 2.25%, matures 2024 | \$ 436,000 | \$ - | \$ (104,000) | \$ 332,000 | \$ 107,000 |
| General Obligation Refunding Bond, Series 2012 \$2.155M, 2.00%-2.375%, matures 2024 | 735,000 | - | (180,000) | 555,000 | 185,000 |
| General Obligation Refunding Bond, Series 2015 \$3.1M, 2.0% - 3.0%, matures 2026 | 1,955,000 | - | (300,000) | 1,655,000 | 310,000 |
| 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 | 2,786,000 | - | (620,000) | 2,166,000 | 635,000 |
| | <u>\$ 12,422,000</u> | <u>\$ -</u> | <u>\$ (1,204,000)</u> | <u>\$ 11,218,000</u> | <u>\$ 1,237,000</u> |
| <u>CAPITAL LEASES</u> | | | | | |
| Street Equipment Tractors Lease 2.85%, matures 3/2022, | \$ 116,207 | \$ - | \$ (57,277) | \$ 58,930 | \$ 58,930 |
| Equipment Pickups Lease 3.02%, matures 6/2022 | 74,992 | - | (24,346) | 50,646 | 24,870 |
| Police Car Lease 2.22%, matures 3/2021 | 75,298 | - | (75,298) | - | - |
| Musco Sports Lighting 5.45%, matures 9/12/2021 | 43,944 | - | (43,944) | - | - |
| Street Equipment Lease 2.41%, matures 5/15/2021 | 31,726 | - | (31,726) | - | - |
| Fire Truck Lease 1.8%, matures 9/28/2025 | - | 310,790 | - | 310,790 | 75,631 |
| Fire Truck Lease 3.31%, matures 12/15/2023 | 283,901 | - | (283,901) | - | - |
| | <u>\$ 626,068</u> | <u>\$ 310,790</u> | <u>\$ (516,492)</u> | <u>\$ 420,366</u> | <u>\$ 159,431</u> |
| TOTAL GOVERNMENTAL PURPOSE DEBT | <u>\$ 13,048,068</u> | <u>\$ 310,790</u> | <u>\$ (1,720,492)</u> | <u>\$ 11,638,366</u> | <u>\$ 1,396,431</u> |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6- LONG-TERM LIABILITIES (cont)

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

| | Balance 10/1/2020 | Additions | Deletions | Balance 9/30/2021 | Amount Due Within One Year |
|----------------------------------|----------------------|-------------|--------------------|----------------------|----------------------------------|
| <u>Emergency SRF Loan</u> | | | | | |
| SRF Loan | \$ 299,399 | \$ - | \$ (32,017) | \$ 267,382 | \$ 33,322 ¹ |
| 4.00%, matures 10/1/2028 | <u>\$ 299,399</u> | <u>\$ -</u> | <u>\$ (32,017)</u> | <u>\$ 267,382</u> | <u>\$ 33,322</u> |
| <u>CAPITAL LEASES</u> | | | | | |
| Equipment Lease | \$ 129,916 | \$ - | \$ (41,727) | \$ 88,189 | \$ 42,987 ¹ |
| 3.02%, matures 6/29/2022 | <u>\$ 129,916</u> | <u>\$ -</u> | <u>\$ (41,727)</u> | <u>\$ 88,189</u> | <u>\$ 42,987</u> |
| BUSINESS-TYPE ACTIVITY DEBT | <u>\$ 429,315</u> | <u>\$ -</u> | <u>\$ (73,744)</u> | <u>\$ 355,571</u> | <u>\$ 76,309</u> |

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> | | |
|---------------------------------------|-------------------|------------------|
| | <u>Principle</u> | <u>Interest</u> |
| 2022 | 107,000 | 7,470 |
| 2023 | 111,000 | 5,063 |
| 2024 | 114,000 | 2,565 |
| 2025 | - | - |
| 2026 | - | - |
| 5 year | - | - |
| | <u>\$ 332,000</u> | <u>\$ 15,098</u> |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6- LONG-TERM LIABILITIES (cont)

General Obligation Refunding Bonds

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

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

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

| <u>\$2.155M G.O. Refunding Bonds, Series 2012</u> | | | <u>\$3.1M GO Refunding Series 2015</u> | | |
|---|-------------------|------------------|--|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | | <u>Principal</u> | <u>Interest</u> |
| 2022 | 185,000 | 12,719 | 2022 | 310,000 | 49,650 |
| 2023 | 185,000 | 8,556 | 2023 | 320,000 | 40,350 |
| 2024 | 185,000 | 4,394 | 2024 | 330,000 | 30,750 |
| 2025 | - | - | 2025 | 340,000 | 20,850 |
| 2026 | - | - | 2026 | 355,000 | 10,650 |
| 5 year | - | - | 5 year | - | - |
| | <u>\$ 555,000</u> | <u>\$ 25,669</u> | | <u>\$ 1,655,000</u> | <u>\$ 152,250</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:

| <u>\$6,510,000 GO W & S Refunding Bonds, Series 2015</u> | | | <u>\$4.885M GO W & S Refunding Bonds, Series 2016</u> | | |
|--|---------------------|---------------------|---|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | | <u>Principal</u> | <u>Interest</u> |
| 2022 | - | 247,875 | 2022 | 635,000 | 71,400 |
| 2023 | 405,000 | 247,875 | 2023 | 285,000 | 52,350 |
| 2024 | 430,000 | 237,750 | 2024 | 295,000 | 43,800 |
| 2025 | 445,000 | 227,000 | 2025 | 305,000 | 34,950 |
| 2026 | 475,000 | 209,200 | 2026 | 315,000 | 25,800 |
| 2027-2031 | 4,305,000 | 651,800 | 2027 | 331,000 | 13,200 |
| 2032 | 450,000 | 18,000 | | - | - |
| 5 year | - | - | 5 year | - | - |
| | <u>\$ 6,510,000</u> | <u>\$ 1,839,500</u> | | <u>\$ 2,166,000</u> | <u>\$ 241,500</u> |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6- LONG-TERM LIABILITIES (cont)

Capital Leases

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

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

| | Capital Leases | |
|------------|----------------|-----------|
| | Principal | Interest |
| 2022 | 159,431 | 8,385 |
| 2023 | 102,768 | 4,415 |
| 2024 | 78,378 | 2,847 |
| 2025 | 79,789 | 1,436 |
| 2026 | - | - |
| Thereafter | - | - |
| | \$ 420,366 | \$ 12,800 |

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.

Capital Leases

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

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

| | Principal | | Interest | |
|------|-----------|--|----------|--|
| | | | | |
| 2022 | 42,987 | | 2,663 | |
| 2023 | 45,203 | | 448 | |
| | \$ 88,190 | | \$ 3,111 | |

Loans

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6- LONG-TERM LIABILITIES (cont)

| | SRF Emergency Loan | |
|------------|--------------------|-----------|
| | Principal | Interest |
| 2022 | 33,322 | 10,089 |
| 2023 | 34,679 | 8,731 |
| 2024 | 36,092 | 7,318 |
| 2025 | 37,562 | 5,848 |
| 2026 | 39,093 | 4,317 |
| thereafter | 86,634 | 3,805 |
| | \$ 267,383 | \$ 40,108 |

Compensated Absences Payable

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

NOTE 7-LIMITATIONS ON INDEBTEDNESS

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

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

The following is a schedule of limitations on the indebtedness of the City at September 30, 2021:

| Authorized Debt Limit | 15 Percent | 20 Percent |
|--|---------------|---------------|
| Assessed valuation at fiscal year ended September 30, 2021 (\$106,712,079) | \$ 16,006,812 | \$ 21,342,416 |
| Present debt subject to 15% limitation | (6,051,355) | - |
| Present debt subject to 20% limitation including debt subject to 15% limitation | - | (11,993,937) |
| Margin for further debt under respective limits | \$ 9,955,457 | \$ 9,348,479 |

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8-DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2021, 2020, and 2019 were \$709,456, \$709,328, and \$697,792, respectively, which equaled the required contributions for each year.

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

At September 30, 2021, the City reported a liability of \$9,016,067 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2021 net pension liability was 0.06132300 percent, which was based on a measurement date of June 30, 2021. This was a decrease of 0.00096500 percent from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

For the year ended September 30, 2021, the City recognized pension expense of \$82,771. At September 30, 2021 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 | \$ 145,187 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,753,909 |
| Changes of assumptions | 696,118 | - |
| Change in proportionate share | 205,806 | 359,014 |
| City contributions subsequent to the measurement date | 178,413 | - |
| Total | \$ 1,225,524 | \$ 3,112,923 |

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: | |
|--------------------------|----------------|
| 2022 | (423,097) |
| 2023 | (499,460) |
| 2024 | (492,990) |
| 2025 | (650,265) |
| 2026 | - |
| | \$ (2,065,812) |

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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

| <u>Asset Class</u> | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 27.00 % | 4.60 % |
| International Equity | 22.00 | 4.50 |
| Global Equity | 12.00 | 4.80 |
| Debt Securities | 20.00 | (0.25) |
| Real Estate | 10.00 | 3.75 |
| Private Equity | 8.00 | 6.00 |
| Cash Equivalents | 1.00 | (1.00) |
| | <u>100.00 %</u> | |

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

| | 1% Decrease (6.55%) | Current Discount Rate (7.55%) | 1% Increase (8.55%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 12,768,864 | \$ 9,016,067 | \$ 5,923,463 |

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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-UNEARNED REVENUES

American Rescue Plan Act – Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)

The City has received CSLFRF funds of \$1,306,913 in fiscal year September 30, 2021. These funds have certain eligibility requirements which must be met, such as incurrence of eligible expenditures. The unspent balance of these funds is therefore not considered earned and is reported as a liability on the City's financial statements. As of September 30, 2021 none of these CSLFRF funds have been expended and are therefore reported as unearned revenue.

NOTE 11-RISK MANAGEMENT

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

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

Participation in Public Entity Risk Pool:

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12-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 13- SUBSEQUENT EVENTS

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions which existed after the Statement of Assets date require disclosure in the accompanying notes. Management of CITY OF PETAL, MISSISSIPPI evaluated the activity of the City through January 13, 2023 (date financial statements were available) and determined that no subsequent events require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A

CITY OF PETAL, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variances Positive (Negative) | |
|--|---------------------|---------------------|-----------------------------|----------------------------------|---------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| REVENUES | | | | | |
| Property taxes | \$ 4,017,491 | \$ 4,024,491 | \$ 4,689,789 | \$ 7,000 | \$ 665,298 |
| License and permits | 553,929 | 553,929 | 648,743 | - | 94,814 |
| Intergovernmental revenues | 2,904,200 | 3,017,027 | 3,622,082 | 112,827 | 605,055 |
| Charges for services | 215,500 | 246,396 | 137,859 | 30,896 | (108,537) |
| Fines and forfeitures | 201,500 | 201,500 | 185,938 | - | (15,562) |
| Other | 142,825 | 85,000 | 70,629 | (57,825) | (14,371) |
| TOTAL REVENUES | <u>8,035,445</u> | <u>8,128,343</u> | <u>9,355,040</u> | <u>92,898</u> | <u>1,226,697</u> |
| EXPENDITURES | | | | | |
| General Government | 1,122,027 | 1,136,213 | 896,195 | (14,186) | 240,018 |
| Judicial Department | 296,214 | 296,214 | 237,177 | - | 59,037 |
| Police Department | 2,293,753 | 2,333,651 | 2,276,664 | (39,898) | 56,987 |
| Fire Department | 2,401,172 | 2,418,172 | 2,281,916 | (17,000) | 136,256 |
| Building Inspection | 215,877 | 215,877 | 195,049 | - | 20,828 |
| Street Department | 1,350,857 | 1,310,557 | 1,102,743 | 40,300 | 207,814 |
| Recreation | 545,083 | 569,767 | 557,707 | (24,684) | 12,060 |
| Senior/Cultural Center | 100,096 | 105,098 | 95,256 | (5,002) | 9,842 |
| Civic Center | 102,494 | 102,494 | 97,894 | - | 4,600 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>8,427,573</u> | <u>8,488,043</u> | <u>7,740,601</u> | <u>(60,470)</u> | <u>747,442</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (392,128) | (359,700) | 1,614,439 | 32,428 | 1,974,139 |
| Other Financing Sources (Uses) | - | - | - | - | - |
| NET CHANGE IN FUND BALANCE | <u>\$ (392,128)</u> | <u>\$ (359,700)</u> | 1,614,439 | <u>\$ 32,428</u> | <u>\$ 1,974,139</u> |
| Adjustments to GAAP Basis | | | | | |
| Revenue Accruals | | | (223,247) | | |
| Expense Accruals | | | <u>312,684</u> | | |
| NET CHANGE IN FUND BALANCE - GAAP BASIS | | | 1,703,876 | | |
| FUND BALANCE-BEGINNING | | | <u>3,581,855</u> | | |
| FUND BALANCE-ENDING | | | <u>\$ 5,285,731</u> | | |

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

Schedule 1B

***CITY OF PETAL, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE AMERICAN RESCUE PLAN FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021***

The City did not budget the American Rescue Plan Fund and did not incur any expenses as of September 30, 2021; therefore, the Budgetary Comparison Schedule for the American Rescue Plan Fund is not presented.

City of Petal

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|---------------|---------------|---------------|--------------|---------------|--------------|
| City's proportion of the net pension liability | 0.0610% | 0.0620% | 0.0660% | 0.0626% | 0.0559% | 0.056% | 0.056% |
| City's proportionate share of the net pension liability | \$ 9,016,067 | \$ 12,002,480 | \$ 11,610,702 | \$ 10,413,569 | \$ 9,289,651 | \$ 10,002,998 | \$ 8,656,496 |
| City's covered - employee payroll | \$ 4,077,333 | \$ 4,076,598 | \$ 4,318,020 | \$ 4,135,771 | \$ 3,638,248 | \$ 3,530,952 | \$ 3,500,889 |
| City's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 221.127% | 294.424% | 268.890% | 251.793% | 255.333% | 283.295% | 247.266% |
| Plan fiduciary net position as a percentage of the total pension liability | 29.563% | 58.974% | 61.588% | 62.535% | 61.490% | 57.468% | 61.704% |

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

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

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

City of Petal

Required Supplementary Information

Schedule of the City's Contributions

PERS

Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 709,456 | \$ 709,328 | \$ 697,792 | \$ 651,384 | \$ 573,024 | \$ 556,125 | \$ 551,390 |
| Contributions in relation to the contractually required contribution | 709,456 | 709,328 | 697,792 | 651,384 | 573,024 | 556,125 | 551,390 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered - employee payroll | 4,077,333 | 4,076,598 | 4,318,020 | 4,135,771 | 3,638,248 | 3,530,952 | 3,500,889 |
| Contributions as a percentage of covered-employee payroll | 17.40% | 17.40% | 16.16% | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

CITY OF PETAL, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Budgetary Comparison Schedules

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

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

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

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

2019:

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

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments; for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

SUPPLEMENTARY INFORMATION

**CITY OF PETAL, MISSISSIPPI, MISSISSIPPI
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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> |
|---------------------------------|-----------------|----------------|------------------------------------|
| Anthony T. Ducker \$100,000 | Mayor | | Scott Municipal Insurance |
| Gerald Steele \$100,000 | Alderman | | Scott Municipal Insurance |
| James C. Bullock \$100,000 | Alderman | | Scott Municipal Insurance |
| Andrew P. Brickson \$100,000 | Alderman | | Scott Municipal Insurance |
| Steven Stringer \$100,000 | Alderman | | Scott Municipal Insurance |
| Blake Nobles \$100,000 | Alderman | | Scott Municipal Insurance |
| Mike Lott \$100,000 | Alderman | | Scott Municipal Insurance |
| Craig Strickland \$100,000 | Alderman | | Scott Municipal Insurance |
| Melissa Martin | City Clerk | | Scott Municipal Insurance \$50,000 |
| Matthew Hiatt | Police Chief | | Scott Municipal Insurance \$50,000 |
| Lynn Campfield | Deputy Clerk | | Scott Municipal Insurance \$50,000 |
| Paula King | Deputy Clerk | | Scott Municipal Insurance \$50,000 |
| Michell Strebeck | Court Clerk | | Scott Municipal Insurance \$50,000 |
| Anyone handling money | | | Scott Municipal Insurance \$50,000 |

CITY OF PETAL, MISSISSIPPI, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Honorable Mayor, Members of the
Board of Alderman and City Clerk
CITY OF PETAL, MISSISSIPPI, 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, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CITY OF PETAL, MISSISSIPPI, Mississippi's basic financial statements, and have issued our report thereon dated January 13, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, MS

January 13, 2023



HOLT & ASSOCIATES, PLLC

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W. David Dill, CPA (Retired)

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

Honorable Mayor, Members of the
Board of Alderman and City Clerk
CITY OF PETAL, MISSISSIPPI, 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, Mississippi as of and for the year ended September 30, 2021, and have issued our report thereon dated January 13, 2023. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any immaterial instance of noncompliance with other state laws and regulations.

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

Holt & Associates, PLLC

Laurel, MS

January 13, 2023