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Hal Marx
Mayor

Melissa Martin
City Clerk

Thomas W. Tyner
City Attorney



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

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

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the City of Petal, Mississippi, for the fiscal year ended September 30, 2015. A separate management letter was not written to the City of Petal in connection with this audit.

Sincerely,

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

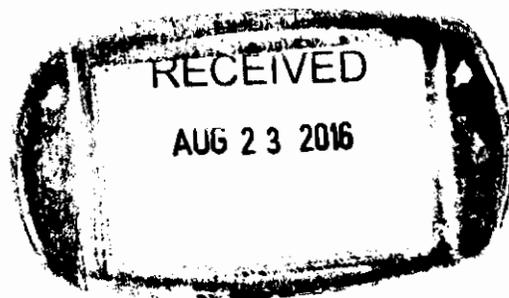
Hal Marx
Mayor



CITY OF PETAL, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015



CITY OF PETAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 14 and 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Petal, Mississippi's basic financial statements. The schedule

of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basis financial statements as a whole.

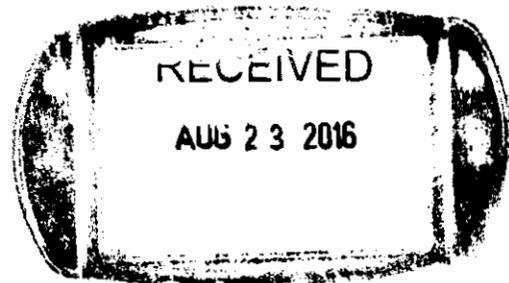
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2016, on our consideration of the City of Petal, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering the City's internal control over financial reporting and compliance.

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC
Certified Public Accountants
Hattiesburg, Mississippi

July 25, 2016



MANAGEMENT DISCUSSION AND ANALYSIS

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015*

This Discussion and Analysis of The City of Petal's financial performance provides a narrative overview and analysis of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 were as follows:

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2015 by \$12,913,849 (net position), which represents a decrease of \$5,845,089 from the prior year. This is due primarily to recording a prior period adjustment for net pension liability of \$6,986,607.

As of September 30, 2015, the City's governmental funds reported a combined fund balance of \$3,989,937, which represents a decrease of \$476,217.

During the fiscal year the City decreased its long-term debt by \$583,831 as a result of normal scheduled debt payments, refinancing of bonds and obtaining \$568,139 of equipment financed by capital leases.

The governmental activities expenses exceeded revenue by approximately \$5,418,264 resulting in a net decrease in net position. This decrease includes \$6,510,000 of water and sewer revenue bonds being refinanced with general obligation bonds which effectively transferred the debt from the business activities to the governmental activities. As a result the City's business-type activities revenues exceeded expenses by approximately \$6,559,782.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015*

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

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

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

Fund Financial Statements

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

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

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

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

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

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015*

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Other Information

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015*

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the City's financial position. Assets exceeded liabilities by \$12,913,849 as of September 30, 2015.

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.

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2015	2014	2015	2014	2015	2014		
Current and other assets	\$ 8,455,787	\$ 8,886,474	\$ 1,983,181	\$ 1,523,474	\$ 10,438,968	\$ 10,409,948	\$ 29,020	0.28%
Capital assets	18,042,696	16,444,250	15,424,109	16,119,988	33,466,805	32,564,238	902,567	2.77%
Total assets	26,498,483	25,330,724	17,407,290	17,643,462	43,905,773	42,974,186	931,587	2.17%
Deferred outflow of resources	1,535,906	120,745	131,612	-	1,667,518	120,745	1,546,773	1281.02%
Long-term debt	13,430,891	7,153,053	5,435,000	12,296,698	18,865,891	19,449,751	(583,860)	-3.00%
Net pension liability	7,806,428	-	850,067	-	8,656,495	-	8,656,495	NA
Other liabilities	614,077	781,560	497,405	482,297	1,111,482	1,263,857	(152,375)	-12.06%
Total liabilities	21,851,396	7,934,613	6,782,472	12,778,995	28,633,868	20,713,608	7,920,260	38.24%
Deferred inflow of resources	4,007,309	3,622,385	18,265	-	4,025,574	3,622,385	403,189	11.13%
Net position:								
Net investment in capital assets:	4,939,080	9,411,942	9,989,109	3,823,290	14,928,189	13,235,232	1,692,957	12.79%
Restricted	-	-	129,020	134,037	129,020	134,037	(5,017)	-3.74%
Unrestricted	(2,763,396)	4,482,529	620,036	907,140	(2,143,360)	5,389,669	(7,533,029)	-139.77%
Total net position	\$ 2,175,684	\$ 13,894,471	\$ 10,738,165	\$ 4,864,467	\$ 12,913,849	\$ 18,758,938	\$ (5,845,089)	-31.16%

By far the largest portion of City's net position (116%) reflects its investment in capital assets less related outstanding debt. The City completed the Byrd Blvd extension from grants and other revenues which is reflected in the increase in capital assets in the governmental activities. GASB 68 was implemented in fiscal year 2015 to record the City's net pension liability. Prior year amounts were not restated to reflect the implementation of GASB 68.

**CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015**

Changes in net position

Governmental activities decreased the City's net position by \$11,718,787 and the business activities increased the City's net position by \$5,873,698. The key elements of these changes are reported in the following statement. These decreases are primarily result of implementing GASB 68 and refinancing revenue bonds with general obligation bonds.

	Governmental Activities		Business-type Activities		Totals		Dollar Change	Percentage Change
	2015	2014	2015	2014	2015	2014		
Program Revenues:								
Charges for Services	\$ 521,507	\$ 509,065	\$ 2,935,433	\$ 3,030,134	\$ 3,456,940	\$ 3,539,199	\$ (82,259)	-2.32%
Grants and Donations	1,033,483	1,895,963	160,689	-	1,194,172	1,895,963	(701,791)	-37.02%
General Revenues:								
Property Taxes	4,139,235	4,098,700	-	2,550	4,139,235	4,101,250	37,985	0.93%
Sales Taxes	2,466,701	2,323,738	-	-	2,466,701	2,323,738	142,963	6.15%
Other Taxes and Other	839,806	772,946	758	960	840,564	773,906	66,658	8.61%
Gain (loss) sale of Capital Assets	29,910	(108,059)	3,969	106,571	33,879	(1,498)	35,377	-2361.62%
Total Revenues	9,030,642	9,492,343	3,100,849	3,140,215	12,131,491	12,632,558	(501,067)	-3.97%
Program Expenses:								
General Government	860,983	709,382	-	-	860,983	709,382	151,601	21.37%
Court	318,686	286,165	-	-	318,686	286,165	32,521	11.36%
Public Safety	4,205,306	3,893,403	-	-	4,205,306	3,893,403	311,903	8.01%
Public Works	1,373,796	1,223,429	-	-	1,373,796	1,223,429	150,367	12.29%
Culture & Recreation	1,197,982	1,066,925	-	-	1,197,982	1,066,925	131,057	12.28%
Interest and Other Charges	168,924	224,864	-	-	168,924	224,864	(55,940)	-24.88%
Water and Sewer	-	-	2,858,112	2,976,455	2,858,112	2,976,455	(118,343)	-3.98%
Solid Waste	-	-	6,184	119,329	6,184	119,329	(113,145)	-94.82%
Total Expenses	8,125,677	7,404,168	2,864,296	3,095,784	10,989,973	10,499,952	490,021	4.67%
Increase(decrease) in net assets								
before transfers and prior period	904,965	2,088,175	236,553	44,431	1,141,518	2,132,606	(991,088)	-46.47%
Net transfers	(6,323,229)	661,592	6,323,229	(661,592)	-	-	-	-
Prior Period Adjustment	(6,300,523)	-	(686,084)	-	(6,986,607)	-	-	-
Change in Net Position	\$ (11,718,787)	\$ 2,749,767	\$ 5,873,698	\$ (617,161)	\$ (5,845,089)	\$ 2,132,606	\$ (7,977,695)	

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As the City completed the year, its governmental funds reported a combined fund balance of \$3,989,937, a decrease of \$476,217. \$2,883,515, or 72%, 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 \$185,782. The fund balance of Other Governmental Funds showed a decrease in the amount of \$661,999 as result of completion of City's Street Paving Project.

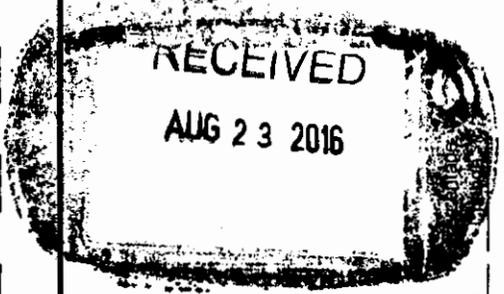
Proprietary funds. The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net position of \$620,036 is comprised of \$454,138 for the water and sewer and \$165,898 for the solid waste fund. User fees and charges were sufficient to cover costs this year and refinancing \$6,510,000 in revenue bonds with general obligation bonds resulted in an increase in net position of \$6,402,682 for the water and sewer fund before a prior period adjustment of \$686,084 for net pension liability. An increase in net position of \$157,100 for the solid waste fund was due primarily to receiving the final payment on a FEMA grant.

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 2015, 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 \$6,892,000; with the final budgeted amount being \$7,221,893; and with \$7,144,881 in actual revenue collections. The General Fund's original budgeted expenditures of \$6,891,657 were amended to \$7,221,893, with actual expenditures of \$6,992,595.



**CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	
	2015	2014	2015	2014	2015	2014		
Land	\$ 597,495	\$ 597,495	\$ 21,994	\$ 21,994	\$ 619,489	\$ 619,489	\$ -	0%
Buildings and improvements	4,268,052	4,430,720	481,822	495,086	4,749,874	4,925,806	(175,932)	-3.57%
Equipment	1,925,416	1,480,711	266,185	258,554	2,191,601	1,739,265	452,336	26.01%
Infrastructure	11,212,688	9,841,595	14,654,108	15,006,661	25,866,796	24,848,256	1,018,540	4.10%
Totals	\$ 18,003,651	\$ 16,350,521	\$ 15,424,109	\$ 15,782,295	\$ 33,427,760	\$ 32,132,816	\$ 1,294,944	4.03%

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

Debt

At year-end, the City had \$18,865,891 in bonds, notes, and leases outstanding compared to \$19,449,751 last year - a decrease of \$583,860.

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2015	2014	2015	2014	2015	2014		
General Obligation Bonds	\$ 12,413,000	\$ 6,460,000	\$ -	\$ -	\$ 12,413,000	\$ 6,460,000	\$ 5,953,000	92.15%
Limited & Special Obligation Bonds	-	-	5,435,000	12,286,400	5,435,000.00	12,286,400.00	(6,851,400.00)	-55.76%
Other Loans	-	-	-	10,298	-	10,298.00	(10,298.00)	-100.00%
Capital Leases	1,017,891	693,024	-	-	1,017,891.00	693,024.00	324,867.00	46.88%
Totals	\$ 13,430,891	\$ 7,153,024	\$ 5,435,000	\$ 12,296,698	\$ 18,865,891	\$ 19,449,722	\$ (583,831)	-3.00%

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

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

*CITY OF PETAL, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2015*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates, and fees that will be charged for the business-type activities. In an effort to maximize City efficiency and fiscal responsibility, the City Board did not increase tax rates for 2016.

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
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 4,106,008	\$ 1,042,269	\$ 5,148,277
Receivables, net of allowance for uncollectibles	4,314,444	105,623	4,420,067
Due from other funds	20,728	54,732	75,460
Unbilled revenue	-	239,674	239,674
Inventory, at cost	-	10,431	10,431
Prepaid items	14,607	-	14,607
Restricted Assets			
Cash Bond Reserves	-	129,020	129,020
Customer deposits	-	401,432	401,432
Land	597,495	21,993	619,488
Capital assets, net	17,406,740	15,402,116	32,808,856
Capitalized interest and bond costs (net)	38,461	-	38,461
Total Assets	<u>26,498,483</u>	<u>17,407,290</u>	<u>43,905,773</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,208,631	131,612	1,340,243
Unamortized amount on debt refunding	327,275	-	327,275
Total Deferred Outflow of Resources	<u>1,535,906</u>	<u>131,612</u>	<u>1,667,518</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	227,066	104,656	331,722
Due to other funds	80,681	-	80,681
Other payables	42,090	10,195	52,285
Customer deposits	-	244,719	244,719
Accrued interest	25,059	122,113	147,172
Accrued payroll	193,180	11,859	205,039
Compensated absences	46,001	3,863	49,864
Noncurrent liabilities:			
Net pension liability	7,806,428	850,067	8,656,495
Debt due within one year	874,202	475,000	1,349,202
Debt due in more than one year	12,556,689	4,960,000	17,516,689
Total Liabilities	<u>21,851,396</u>	<u>6,782,472</u>	<u>28,633,868</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	167,735	18,265	186,000
Property taxes levied for subsequent year	3,839,574	-	3,839,574
Total Deferred Inflow of Resources	<u>4,007,309</u>	<u>18,265</u>	<u>4,025,574</u>
NET POSITION			
Net investment in capital assets	4,939,080	9,989,109	14,928,189
Restricted for debt covenants	-	129,020	129,020
Unrestricted	(2,763,396)	620,036	(2,143,360)
Total Net Position	<u>\$ 2,175,684</u>	<u>\$ 10,738,165</u>	<u>\$ 12,913,849</u>

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

CITY OF PETAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 860,983	\$ -	\$ 6,160	\$ -	\$ (854,823)		\$ (854,823)
Courts	318,686	266,416	-	-	(52,270)		(52,270)
Public safety	4,205,306	-	108,173	-	(4,097,133)		(4,097,133)
Public works	1,373,796	92,215	294,870	624,280	(362,431)		(362,431)
Culture & recreation	1,197,982	162,876	-	-	(1,035,106)		(1,035,106)
Interest/other charges on long-term debt	168,924	-	-	-	(168,924)		(168,924)
Total governmental activities	<u>8,125,677</u>	<u>521,507</u>	<u>409,203</u>	<u>624,280</u>	<u>(6,570,687)</u>		<u>(6,570,687)</u>
Business-type activities:							
Water & Sewer	2,858,112	2,932,910	-	-		\$ 74,798	74,798
Solid Waste	6,184	2,523	160,689	-		157,028	157,028
Total business-type activities	<u>2,864,296</u>	<u>2,935,433</u>	<u>160,689</u>	<u>-</u>		<u>231,826</u>	<u>231,826</u>
Total	<u>\$ 10,989,973</u>	<u>\$ 3,456,940</u>	<u>\$ 569,892</u>	<u>\$ 624,280</u>	<u>(6,570,687)</u>	<u>231,826</u>	<u>(6,338,861)</u>
General revenues:							
Property taxes					4,139,235	-	4,139,235
Sales taxes					2,466,701	-	2,466,701
Franchise taxes and privilege licenses					568,135	-	568,135
Transfers					(6,323,229)	6,323,229	-
Unrestricted investment earnings					524	758	1,282
Other					271,147	-	271,147
Gain/loss on sale of assets					29,910	3,969	33,879
Total general revenues					<u>1,152,423</u>	<u>6,327,956</u>	<u>7,480,379</u>
Change in net position					(5,418,264)	6,559,782	1,141,518
Net position - beginning					13,894,471	4,864,467	18,758,938
Prior period adjustment					(6,300,523)	(686,084)	(6,986,607)
Net position - ending					<u>\$ 2,175,684</u>	<u>\$ 10,738,165</u>	<u>\$ 12,913,849</u>

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

FUND FINANCIAL STATEMENTS

CITY OF PETAL
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

Exhibit C

	General Fund	Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Cash and other deposits	\$ 2,951,914	\$ 551,896	\$ 556,431	\$ 4,060,241
Franchise fees receivable	141,120	-	-	141,120
Fines receivable, net of \$1,760,000	42,683	-	-	42,683
Due from other governments	234,375	-	-	234,375
Property taxes levied for subsequent year	3,200,000	-	639,574	3,839,574
Prepaid Insurance	14,607	-	-	14,607
Due from other funds	6,647	9,256	4,825	20,728
Other receivables	56,139	4	549	56,692
Total Assets	<u>\$ 6,647,485</u>	<u>\$ 561,156</u>	<u>\$ 1,201,379</u>	<u>\$ 8,410,020</u>
LIABILITIES AND OTHER CREDITS				
Accounts payable	\$ 212,661	\$ -	\$ 14,069	\$ 226,730
Other payables	778	-	530	1,308
Accrued payroll	193,180	-	-	193,180
Insurance payable	40,634	-	-	40,634
Due to other funds	74,034	-	1,940	75,974
Total Liabilities	<u>521,287</u>	<u>-</u>	<u>16,539</u>	<u>537,826</u>
DEFERRED INFLOWS OF RESOURCES				
Revenues not available - court fines	42,683	-	-	42,683
Property taxes levied for subsequent year	3,200,000	-	639,574	3,839,574
	<u>3,242,683</u>	<u>-</u>	<u>639,574</u>	<u>3,882,257</u>
FUND BALANCES:				
Restricted for bond	-	-	428,145	428,145
Assigned, reported in				
Special revenue funds	-	561,156	76,475	637,631
Capital projects funds	-	-	40,646	40,646
Unassigned, reported in				
General fund	2,883,515	-	-	2,883,515
Total fund balances	<u>2,883,515</u>	<u>561,156</u>	<u>545,266</u>	<u>3,989,937</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,647,485</u>	<u>\$ 561,156</u>	<u>\$ 1,201,379</u>	<u>\$ 8,410,020</u>

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

CITY OF PETAL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Exhibit C-1

Total Fund Balance-Governmental Funds (Exhibit C)	\$ 3,989,937
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 \$9,991,240	18,003,651
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds	42,683
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds	38,461
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	(7,806,428)
Compensated absences	(46,001)
Accrued interest expense	(25,059)
Deferred outflows and inflows of resources are applicable to future periods and, therefore are not reported in the funds:	
Unamortized amount on debt refunding	327,275
Deferred outflows of resources related to pensions	1,208,631
Deferred inflows of resources related to pensions	(167,735)
Long-term debt, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(13,430,891)
Net position from Internal Service Fund (Exhibit E)	<u>41,160</u>
Total Net Position-Governmental Activities (Exhibit A)	<u>\$ 2,175,684</u>

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit D

	General Fund	Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 3,437,470	\$ -	\$ 701,765	\$ 4,139,235
Licenses and fees	568,135	-	-	568,135
Intergovernmental revenue	2,518,012	905,513	76,658	3,500,183
Charges for services	518,028	-	-	518,028
Earnings on investments	253	49	222	524
Other	45,598	192,500	33,022	271,120
TOTAL REVENUE	7,087,496	1,098,062	811,667	8,997,225
EXPENDITURES				
General government	728,541	-	-	728,541
Court	304,042	-	-	304,042
Public safety	3,881,920	-	96,406	3,978,326
Public works	1,295,984	885,507	924,235	3,105,726
Culture & recreation	1,012,729	-	3,133	1,015,862
Debt service	-	-	-	-
Principal	308,962	-	546,310	855,272
Interest	45,892	-	166,229	212,121
Other	-	-	4,660	4,660
Total expenditures	7,578,070	885,507	1,740,973	10,204,550
Excess (deficiency) of revenues over expenditures	(490,574)	212,555	(929,306)	(1,207,325)
Other financing sources (uses):				
Transfers in	2,019	-	56,771	58,790
Transfers out	-	-	(6,382,019)	(6,382,019)
Proceeds from capital lease	568,139	-	-	568,139
Proceeds from refunding bonds	-	-	9,610,000	9,610,000
Premium on bond issue	-	-	752,361	752,361
Payment to refunded bond escrow	-	-	(3,045,000)	(3,045,000)
Debt issuance costs	-	-	(937,361)	(937,361)
Sale of capital assets	106,198	-	-	106,198
Total other financing sources (uses)	676,356	-	54,752	731,108
Net change in fund balance	185,782	212,555	(874,554)	(476,217)
Fund Balances - Beginning	2,697,733	348,601	1,419,820	4,466,154
Fund Balances - Ending	\$ 2,883,515	\$ 561,156	\$ 545,266	\$ 3,989,937

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

CITY OF PETAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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) \$ (476,217)

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 2,554,718
 Depreciation (825,299)

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.

(76,259)

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

Debt proceeds (10,178,139)
 Debt payments 3,900,272

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 (81,746)
 Amortization of premium debt refunding 48,593
 Debt issuance cost on refunding 185,000

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

3,479

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 3,679
 Accrued interest (736)

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 (930,245)
 Recording of contributions made subsequent to the measurement date 497,243
 Amortization of deferred outflow of resources (32,008)

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

(10,599)

Change in Net Position of Governmental Activities

\$ (5,418,264)

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

CITY OF PETAL
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

Exhibit E

	Business-type Activities - Enterprise funds			Internal Service
	Water and Sewer Fund	Solid Waste Fund	Totals	Central Fueling Station
ASSETS				
Cash and cash equivalents	\$ 875,256	\$ 167,013	\$ 1,042,269	\$ 45,767
Customer receivables, net of allowance	83,412	231	83,643	-
Due from other funds	54,557	175	54,732	-
Unbilled revenue	239,674	-	239,674	-
Other receivables	18,133	3,847	21,980	-
Inventory, at cost	10,431	-	10,431	-
Restricted Assets				
Cash Bond Reserves	129,020	-	129,020	-
Customer deposits	401,432	-	401,432	-
Land	21,993	-	21,993	-
Capital assets, net	15,346,535	55,581	15,402,116	584
Total Assets	<u>17,180,443</u>	<u>226,847</u>	<u>17,407,290</u>	<u>46,351</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to pensions	131,612	-	131,612	-
Total deferred outflow of resources	<u>131,612</u>	<u>-</u>	<u>131,612</u>	<u>-</u>
LIABILITIES				
Accounts Payable	\$ 104,656	\$ -	\$ 104,656	\$ 336
Other payables	4,827	5,368	10,195	148
Due to other funds	-	-	-	4,707
Accrued payroll	11,859	-	11,859	-
Customer deposits	244,719	-	244,719	-
Compensated absences	3,863	-	3,863	-
Accrued interest	122,113	-	122,113	-
Noncurrent liabilities:				
Net pension liability	850,067	-	850,067	-
Capital related debt due within one year	475,000	-	475,000	-
Capital related debt due in more than one year	4,960,000	-	4,960,000	-
Total Liabilities	<u>6,777,104</u>	<u>5,368</u>	<u>6,782,472</u>	<u>5,191</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflows related to pensions	18,265	-	18,265	-
Total deferred inflow of resources	<u>18,265</u>	<u>-</u>	<u>18,265</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	9,933,528	55,581	9,989,109	584
Restricted for debt covenants	129,020	-	129,020	-
Unrestricted	454,138	165,898	620,036	40,576
Total Net Position	<u>10,516,686</u>	<u>221,479</u>	<u>10,738,165</u>	<u>41,160</u>

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2015

Exhibit F

	<u>Business-type Activities - Enterprise funds</u>			<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Central Fueling Station</u>
Operating revenues:				
Sales	\$ 2,231,493	\$ -	\$ 2,231,493	\$ 111,984
Other fees and charges	84,389	-	84,389	-
Other revenue	173,402	2,523	175,925	-
Sewer treatment charges	443,626	-	443,626	-
	<u>2,932,910</u>	<u>2,523</u>	<u>2,935,433</u>	<u>111,984</u>
Operating expenses:				
Personnel services	539,694	-	539,694	-
Supplies and materials	184,055	-	184,055	106,924
Other services and charges	947,580	-	947,580	15,659
Capital outlay expenses	6,585	-	6,585	-
Depreciation and amortization	463,137	6,184	469,321	-
Bad debt expense	6,591	-	6,591	-
Total operating expenses	<u>2,147,642</u>	<u>6,184</u>	<u>2,153,826</u>	<u>122,583</u>
Operating income (loss)	785,268	(3,661)	781,607	(10,599)
Other sources (uses)				
Investment earnings	686	72	758	-
Transfer from other funds	6,380,000	-	6,380,000	-
Transfer to other funds	(56,771)	-	(56,771)	-
FEMA grant	-	160,689	160,689	-
Gain (loss) on sale of assets	3,969	-	3,969	-
Bond issuance costs	(337,693)	-	(337,693)	-
Interest expense	(372,777)	-	(372,777)	-
	<u>5,617,414</u>	<u>160,761</u>	<u>5,778,175</u>	<u>-</u>
Change in net position	6,402,682	157,100	6,559,782	(10,599)
Total net position - beginning	4,800,088	64,379	4,864,467	51,759
Prior Period Adjustment	(686,084)	-	(686,084)	-
Total net position - beginning as restated	<u>4,114,004</u>	<u>64,379</u>	<u>4,178,383</u>	<u>51,759</u>
Total net position - ending	<u>\$ 10,516,686</u>	<u>\$ 221,479</u>	<u>\$ 10,738,165</u>	<u>\$ 41,160</u>

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

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CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2015

Exhibit G

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash flow from operating activities:			
Cash received from customers (excluding deposit)	\$ 2,870,056	\$ 2,348	\$ 2,872,404
Cash paid to suppliers	(1,131,635)	-	(1,131,635)
Cash paid to employees	(490,725)	-	(490,725)
Net cash provided (used) by operating activities	<u>1,247,696</u>	<u>2,348</u>	<u>1,250,044</u>
Cash flow from noncapital financing activities:			
Grant proceeds	-	160,689	160,689
Transfer from other funds	6,380,000	-	6,380,000
Transfer to other funds	(56,771)	-	(56,771)
Principal paid on refunding bonds	(6,380,000)	-	(6,380,000)
Other financing premiums	13,644	-	13,644
Net cash flows provided (used) by noncapital financing activities	<u>(43,127)</u>	<u>160,689</u>	<u>117,562</u>
Cash flow from capital financing activities:			
Principal paid on bonds	(471,400)	-	(471,400)
Principal paid on notes	(10,298)	-	(10,298)
Interest paid	(406,548)	-	(406,548)
Net cash flows provided (used) by capital financing activities	<u>(888,246)</u>	<u>-</u>	<u>(888,246)</u>
Cash flow from investing activities:			
Purchase of fixed assets	(112,820)	-	(112,820)
Proceeds from sale of assets	25,781	-	25,781
Interest received	686	72	758
Net cash flows provided (used) by investing activities	<u>(86,353)</u>	<u>72</u>	<u>(86,281)</u>
Net increase (decrease) in cash for the year	229,970	163,109	393,079
Cash and restricted cash - October 1, 2014	<u>1,175,738</u>	<u>3,904</u>	<u>1,179,642</u>
Cash and restricted cash - September 30, 2015	<u>\$ 1,405,708</u>	<u>\$ 167,013</u>	<u>\$ 1,572,721</u>

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2015

Exhibit G (continued)

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
Operating income (loss)	\$ 785,268	\$ (3,661)	\$ 781,607
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization	-	-	-
Depreciation	463,137	6,184	469,321
Bad debt expense	6,591	-	6,591
(Increase) decrease in accounts receivable	(62,563)	-	(62,563)
(Increase) decrease in other assets	(10,481)	(175)	(10,656)
Increase (decrease) in other liabilities	12,980	-	12,980
Increase (decrease) in accounts payable	<u>52,764</u>	<u>-</u>	<u>52,764</u>
Net cash provided by operating activities	<u>\$ 1,247,696</u>	<u>\$ 2,348</u>	<u>\$ 1,250,044</u>
Other Required Disclosures:			
Interest paid	<u>\$ 406,548</u>	<u>\$ -</u>	

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

CITY OF PETAL
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2015

Exhibit H

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 120
Due from other funds	5,222
Other receivable	<u>-</u>
Total Assets	<u>\$ 5,342</u>
 LIABILITIES	
Other liability	\$ 5,342
Due to other funds	<u>-</u>
Total Liabilities	<u>\$ 5,342</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

Blended component unit.

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

Excluded from the reporting entity.

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

B. Government-wide and Fund Financial Statements

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

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

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

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CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The City reports the following major governmental funds:

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

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

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

The City reports the following fund types:

GOVERNMENTAL FUNDS:

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

FIDUCIARY FUNDS:

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

Additionally the City reports the following major proprietary funds:

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

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

D. Account Classification

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

E. Encumbrances

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

F. Cash And Cash Equivalents

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

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

G. Investments

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

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

H. Receivables

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

I. Deferred Outflows/Inflows of Resources

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

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

J. Inventories And Prepaid Items

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

K. Restricted Assets

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

L. Capital Assets

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City's full liability in the amount of \$55,210 for accumulated unpaid personal leave is reported as a liability in the City's Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Long-Term Liabilities

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

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

O. Net Position and Fund Balances

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

P. Property Tax Revenues

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

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

	<u>2015</u>
<u>City of Petal</u>	
General Fund	37.67
GO Bond Refunding	3.68
5.0 M GO Bond Debt Service	3.85
Library	<u>1.01</u>
Total City Mills	<u>46.21</u>
<u>Petal Municipal Separate School District</u>	
District Maintenance	55.00
School Building Program	4.25
School Limited Tax Note	<u>2.24</u>
Total School District Mills	<u>61.49</u>

Q. Budgets And Budgetary Accounting

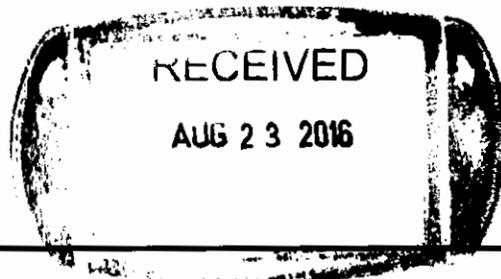
The annual budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the Board of Aldermen. By Statute, the final budget and tax levy must be adopted on or before September 15 for the following fiscal year.

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

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

R. Use of Estimates

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



CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS

Cash And Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$5,678,729, and the bank balance was \$5,709,369.

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

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

	General	Other Governmental	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Receivables:					
Accounts	\$ 141,120	\$ -	\$ 623,641	\$ 129,765	\$ 894,526
Court Fine Receivable	1,802,683	-	-	-	1,802,683
Other Receivable	56,139	553	18,133	3,847	78,672
Property Tax Receivable	3,200,000	639,574	-	-	3,839,574
Intergovernmental	234,375	-	-	-	234,375
Gross Receivables	5,434,317	640,127	641,774	133,612	6,849,830
Less: allowance for uncollectables	(1,760,000)	-	(540,229)	(129,534)	(2,429,763)
Total net receivables	<u>\$ 3,674,317</u>	<u>\$ 640,127</u>	<u>\$ 101,545</u>	<u>\$ 4,078</u>	<u>\$ 4,420,067</u>

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

	General	Other Governmental	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Property taxes levied for use in the subsequent year	<u>\$ 3,200,000</u>	<u>\$ 639,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,839,574</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, 4) move proceeds from general obligation bond issue to payoff revenue bonds.

<u>Transfers In/Out:</u>		
<u>Transfers In</u>	<u>Transfers Out:</u>	<u>Amount</u>
General fund	Nonmajor Governmental Funds	<u>\$ 2,019</u>
Nonmajor Governmental Funds	Water and Sewer Fund	<u>\$ 56,771</u>
Water and Sewer Fund	Nonmajor Governmental Funds	<u>\$ 6,380,000</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5- CAPITAL ASSETS

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

Governmental Activities	Balance 10/1/2014	Adjustments	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated:					
Land and easements	\$ 597,495	-	-	-	597,495
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	<u>597,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,495</u>
Capital assets being depreciated:					
Buildings	3,319,192	-	-	-	3,319,192
Improvements other than buildings	2,675,245	-	-	-	2,675,245
Equipment:	-	-	-	-	-
Office & Other Equipment	300,363	-	27,577	20,000	307,940
Motor vehicles	2,053,563	-	76,994	30,208	2,100,349
Operating Equipment	1,284,037	-	642,949	262,392	1,664,594
Infrastructure	15,522,879	-	1,939,312	-	17,462,191
Total assets being depreciated	<u>25,155,279</u>	<u>-</u>	<u>2,686,832</u>	<u>312,600</u>	<u>27,529,511</u>
Totals at historical cost	<u>25,752,774</u>	<u>-</u>	<u>2,686,832</u>	<u>312,600</u>	<u>28,127,006</u>
Less accumulated depreciation					
Buildings	(733,306)	-	(63,791)	-	(797,097)
Improvements other than buildings	(830,411)	-	(98,877)	-	(929,288)
Equipment:	-	-	-	-	-
Office & Other Equipment	(145,676)	-	(16,788)	(18,000)	(144,464)
Motor vehicles	(1,234,294)	-	(101,844)	(27,187)	(1,308,951)
Operating Equipment	(777,282)	-	(107,895)	(191,125)	(694,052)
Infrastructure	(5,681,284)	-	(441,609)	-	(6,122,893)
Total accumulated depreciation	<u>(9,402,253)</u>	<u>-</u>	<u>(830,804)</u>	<u>(236,312)</u>	<u>(9,996,745)</u>
	<u>16,350,521</u>	<u>-</u>	<u>1,856,028</u>	<u>76,288</u>	<u>18,130,261</u>
Central Fueling Station:					
Capital assets being depreciated:					
Vehicles	13,063	-	-	-	13,063
Operating Equipment	9,000	-	-	-	9,000
Less accumulated depreciation					
Vehicles	(13,063)	-	-	-	(13,063)
Operating Equipment	(8,415)	-	-	-	(8,415)
Central Fueling Station capital assets, net	<u>585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585</u>
Governmental activities capital assets, net	<u>\$ 16,351,106</u>	<u>\$ -</u>	<u>\$ 1,856,028</u>	<u>\$ 76,288</u>	<u>\$ 18,130,846</u>

Depreciation expense was charged to the following governmental functions:

	Depreciation
General government	\$ 6,934
Public Safety	188,347
Public Works, which includes the depreciation of general infrastructure assets	467,171
Culture and Recreation	<u>162,847</u>
Total governmental activities depreciation expense	<u>\$ 825,299</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5- CAPITAL ASSETS (cont)

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

Business-type Activities	Balance 10/1/2014	Adjustments	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated:					
Land and easements	\$ 21,994		-	-	21,994
Construction in Progress	-	-	-	-	-
Total assets not being depreciated	21,994	-	-	-	21,994
Capital assets being depreciated:					
Buildings	677,486		-	-	677,486
Improvements other than buildings	1,901		-	-	1,901
Office Furniture/Equipment	4,000		-	-	4,000
Water/Sewer systems	26,965,399	-	60,736	-	27,026,135
Vehicles	228,719		-	16,855	211,864
Operating Equipment	535,520	-	52,084	-	587,604
Total assets being depreciated	28,413,025	-	112,820	16,855	28,508,990
Totals at historical cost	28,435,019	-	112,820	16,855	28,530,984
Less accumulated depreciation					
Buildings	(182,400)	-	(13,264)	-	(195,664)
Improvements other than buildings	(1,901)	-	-	-	(1,901)
Office Furniture/Equipment	(3,600)	-	-	-	(3,600)
Water/Sewer systems	(11,965,055)	-	(412,977)	-	(12,378,032)
Vehicles	(158,125)	-	(17,430)	(15,170)	(160,385)
Operating Equipment	(403,408)	-	(19,466)	-	(422,874)
Total accumulated depreciation	(12,714,489)	-	(463,137)	(15,170)	(13,162,456)
Water and Sewer capital assets, net	15,720,530	-	(350,317)	1,685	15,368,528
Solid Waste:					
Capital assets being depreciated:					
Infrastructure	8,896		-	-	8,896
Operating Equipment	118,369	4,500	-	-	122,869
Vehicles	58,721	(4,500)	-	-	54,221
Total assets being depreciated	185,986	-	-	-	185,986
Less accumulated depreciation					
Infrastructure	(2,579)	-	(312)	-	(2,891)
Operating Equipment	(108,498)	-	(450)	-	(108,948)
Vehicles	(13,144)	-	(5,422)	-	(18,566)
Total accumulated depreciation	(124,221)	-	(6,184)	-	(130,405)
Solid Waste capital assets, net	61,765	-	(6,184)	-	55,581
Total Business-type activities	<u>\$ 15,782,295</u>	<u>\$ -</u>	<u>\$ (356,501)</u>	<u>\$ 1,685</u>	<u>\$ 15,424,109</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6- LONG-TERM LIABILITIES

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

	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015	Amount Due Within One Year
<u>GENERAL OBLIGATION BONDS</u>					
\$5.0M G.O. Bonds, series 2006 5.125%-3.8%, matures 2026	\$ 3,505,000	\$ -	\$ (3,270,000)	\$ 235,000	\$ 235,000
6.510M GO Refunding Bonds, Series 2015 Refunding Series 2006 & 2007 W&S Bonds 2.5% - 4.0%, matures 7/1/2032	\$ -	\$ 6,510,000	\$ -	\$ 6,510,000	\$ -
3.1M GO Refunding Bonds, Series 2015 2.0% - 3.0%, matures 2026	\$ -	\$ 3,100,000	\$ (35,000)	\$ 3,065,000	\$ -
1.0M GO Bonds, Series 2014 2.25%, matures 2024	\$ 1,000,000	\$ -	\$ (87,000)	\$ 913,000	\$ 90,000
G.O. Refunding Bonds Series 2012 2.00%-2.375%, matures 2024	\$ 1,955,000	\$ -	\$ (265,000)	\$ 1,690,000	\$ 275,000
	<u>\$ 6,460,000</u>	<u>\$ 9,610,000</u>	<u>\$ (3,657,000)</u>	<u>\$ 12,413,000</u>	<u>\$ 600,000</u>
<u>CAPITAL LEASES</u>					
Dispatch Console Lease 2.14%, matures 3/2018, annual payments	\$ 104,095	\$ -	\$ (25,195)	\$ 78,900	\$ 25,740
Street Equipment Capital Lease 3.00%, matures Sept 2014, \$6,585.72 pmt	\$ 6,569	\$ -	\$ (6,569)	\$ -	\$ -
Fire Truck Lease 3.21%, matures 9/17	\$ 143,924	\$ -	\$ (47,133)	\$ 96,791	\$ 47,970
Police Car Lease 1.33%, matures 3/2017	\$ 175,436	\$ -	\$ (57,398)	\$ 118,038	\$ 57,399
Musco Sports Lighting 5.45%, matures 9/12/2021	\$ 263,000	\$ -	\$ (31,732)	\$ 231,268	\$ 33,505
Fire Truck Lease 2.11%, matures 8/12/2020	\$ -	\$ 198,500	\$ -	\$ 198,500	\$ 38,044
Street Equipment Lease 1.89%, matures 3/15/2019	\$ -	\$ 369,639	\$ (75,245)	\$ 294,394	\$ 71,544
	<u>\$ 693,024</u>	<u>\$ 568,139</u>	<u>\$ (243,272)</u>	<u>\$ 1,017,891</u>	<u>\$ 274,202</u>
TOTAL GOVERNMENTAL PURPOSE DEBT	<u>\$ 7,153,024</u>	<u>\$ 10,178,139</u>	<u>\$ (3,900,272)</u>	<u>\$ 13,430,891</u>	<u>\$ 874,202</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6- LONG-TERM LIABILITIES (cont)

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

	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015	Amount Due Within One Year
<u>REVENUE SPECIAL OBLIGATION BONDS</u>					
\$8.5M Water & Sewer, Series 2006 7.0%-4.0% interest, matures 2031	\$ 6,866,400	\$ -	\$ (4,631,400)	\$ 2,235,000	\$ 275,000
\$6.5 M Water & Sewer, Series 2007 5.0%-4.0% interest, matures 2032	\$ 5,420,000	\$ -	\$ (2,220,000)	\$ 3,200,000	\$ 200,000
	<u>\$ 12,286,400</u>	<u>\$ -</u>	<u>\$ (6,851,400)</u>	<u>\$ 5,435,000</u>	<u>\$ 475,000</u>
<u>OTHER LOANS</u>					
\$807,757 State Revolving Loan .375% interest, matures 2014	\$ 10,298	\$ -	\$ (10,298)	\$ -	\$ -
	<u>\$ 10,298</u>	<u>\$ -</u>	<u>\$ (10,298)</u>	<u>\$ -</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITY DEBT	<u>\$ 12,296,698</u>	<u>\$ -</u>	<u>\$ (6,861,698)</u>	<u>\$ 5,435,000</u>	<u>\$ 475,000</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6- LONG-TERM LIABILITIES (cont)

Governmental Activities Long-Term Debt

General Obligation Bonds

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

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

\$1.0M G.O. Bonds, Series 2014		
	Principle	Interest
2016	90,000	20,543
2017	93,000	18,518
2018	95,000	16,425
2019	98,000	14,288
2020	101,000	12,083
5 year	436,000	24,908
5 year	-	-
5 year	-	-
	913,000	106,763

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 \$410,00 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 total \$4,245,880; debt service requirements for the new debt will be \$3,907,350, resulting in a cash flow savings of \$338,530 and net present value savings of \$258,030.

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

\$2.155M G.O. Refunding Bonds, Series 2012			3.1 GO Refunding Series 2015		
	Principle	Interest		Principle	Interest
2016	275,000	35,419	2016	-	86,550
2017	165,000	29,919	2017	265,000	86,550
2018	170,000	26,619	2018	275,000	45,250
2019	170,000	23,219	2019	280,000	75,750
2020	175,000	19,819	2020	290,000	67,350
5 year	735,000	41,988	5 year	1,600,000	200,250
5 year	-	4,394	5 year	355,000	10,650
5 year	-	-	5 year	-	-
	1,690,000	181,376		3,065,000	572,350

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6- LONG-TERM LIABILITIES (cont)

General Obligation Water and Sewer Refunding Bonds

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

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

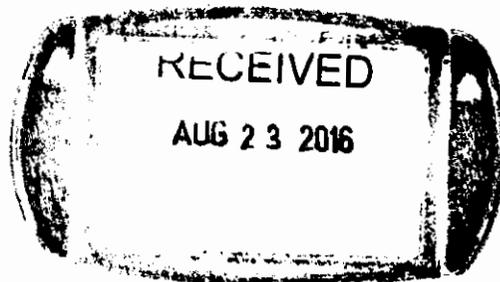
<u>GO WATER & SEWER REFUNDING BONDS</u>		
	<u>Principle</u>	<u>Interest</u>
2016	475,000	773,755
2017	495,000	749,255
2018	520,000	723,755
2019	550,000	702,955
2020	575,000	680,555
2020-2024	3,425,000	2,455,848
2025-2029	4,435,000	1,035,875
2030-2032	1,470,000	76,800
	<u>\$ 11,945,000</u>	<u>\$ 7,198,797</u>

Capital Leases

The City currently has six outstanding capital lease obligations. These include separate leases for street equipment, fire truck, police vehicles, police dispatch equipment, lighting for sport complex, 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:

<u>Capital Leases</u>		
	<u>Principle</u>	<u>Interest</u>
2016	275,274	28,350
2017	281,813	21,812
2018	178,174	15,082
2019	155,648	10,164
2020	83,037	5,667
2021	43,973	2,457
2022	-	-
	<u>\$ 1,017,919</u>	<u>\$ 83,532</u>



CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6- LONG-TERM LIABILITIES (cont)

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. The City plans to meet these general obligations with operating transfers from the water and sewer revenue.

Compensated Absences Payable

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

NOTE 7-LIMITATIONS ON INDEBTEDNESS

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7-LIMITATIONS ON INDEBTEDNESS (cont)

The following is a schedule of limitations on the indebtedness of the City at September 30, 2015

Authorized Debt Limit	15 Percent	20 Percent
Assessed valuation at fiscal year ended September 30, 2015 (\$93,291,929)	\$ 13,993,789	\$ 18,658,386
Present debt subject to 15% limitation	(12,413,000)	-
Present debt subject to 20% limitation including debt subject to 15% limitation	-	(13,430,891)
Margin for further debt under respective limits	\$ 1,580,789	\$ 5,227,495

NOTE 8-DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees for the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$551,390, \$572,426 and \$532,590, 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, 2015, the City reported a liability of \$8,656,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.056 percent.

For the year ended September 30, 2015, the City recognized pension expense of \$1,031,542. At September 30, 2015 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	\$ 147,051	\$ -
Net difference between projected and actual earnings on pension plan investments	-	186,000
Changes of assumptions	545,263	
Differences between ER contributions and proportionate share of ER contributions	517,403	-
City contributions subsequent to the measurement date	130,527	-
	<hr/>	<hr/>
Total	<u>\$ 1,340,244</u>	<u>\$ 186,000</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

\$647,930 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and the difference between ER contributions and proportionate share of ER contributions will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. 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:

2016	\$	243,520
2017		243,520
2018		162,313
2019		(46,500)
	\$	<u>602,853</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8-DEFINED BENEFIT PENSION PLAN (cont)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 11,410,054	\$ 8,656,496	\$ 6,371,557

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

NOTE 9-PRIOR PERIOD ADJUSTMENTS

A summary of significant Net Position / Fund Balance adjustments is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	<u>\$ (6,986,607)</u>
Total	<u>\$ (6,986,607)</u>

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10-CONTINGENCIES

Federal Grants

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

NOTE 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, 2015

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 evaluated the activity of the City through July 25, 2016 (date financial statements were available).

The City was in dispute with the City of Hattiesburg at the end of previous fiscal year regarding costs for sewer treatment. The case was pending in Chancery Court of Forrest County, Mississippi. In January 2016, the case was settled and the parties agreed on the rate for sewer treatment for period from January 1 through September 30, 2016. Subsequently, the rate will be recalculated yearly by an engineering company, based on total sewer treatment expenditures incurred by the City of Hattiesburg and proportional share of City of Petal in wastewater flow.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A

CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 3,270,000	\$ 3,270,000	\$ 3,428,572	\$ -	\$ 158,572
License and permits	589,500	\$ 597,500	656,059	8,000	58,559
Intergovernmental revenues	2,322,000	\$ 2,322,000	2,479,612	-	157,612
Charges for services	186,000	\$ 198,000	162,479	12,000	(35,521)
Fines and forfeitures	260,000	\$ 264,000	244,130	4,000	(19,870)
Other	107,500	\$ 192,000	174,029	84,500	(17,971)
TOTAL REVENUES	<u>6,735,000</u>	<u>6,843,500</u>	<u>7,144,881</u>	<u>108,500</u>	<u>301,381</u>
EXPENDITURES					
General Government	658,606	728,912	727,718	(70,306)	1,194
Judicial Department	317,536	323,406	288,393	(5,870)	35,013
Police Department	2,027,410	2,047,410	2,014,961	(20,000)	32,449
Fire Department	1,624,923	1,618,123	1,544,709	6,800	73,414
Building Inspection	193,577	250,677	239,265	(57,100)	11,412
Street Department	1,087,624	1,158,634	1,118,990	(71,010)	39,644
Recreation	774,331	887,181	847,279	(112,850)	39,902
Senior/Cultural Center	94,300	94,300	94,188	-	112
Civic Center	113,350	113,250	117,092	100	(3,842)
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>6,891,657</u>	<u>7,221,893</u>	<u>6,992,595</u>	<u>(330,236)</u>	<u>229,298</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(156,657)	(378,393)	152,286	(221,736)	530,679
Other Financing Sources (Uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ (156,657)</u>	<u>\$ (378,393)</u>	152,286	<u>\$ (221,736)</u>	<u>\$ 530,679</u>
Adjustments to GAAP Basis					
Revenue Accruals			33,456		
Expense Accruals			-		
NET CHANGE IN FUND BALANCE - GAAP BASIS			185,742		
FUND BALANCE-BEGINNING			<u>2,697,773</u>		
FUND BALANCE-ENDING			<u>\$ 2,883,515</u>		

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

Schedule 1B
CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Intergovernmental revenues	\$ 2,572,000	\$ 2,572,000	\$ 905,513	\$ -	\$ (1,666,487)
Other	192,542	192,542	192,549	-	7
TOTAL REVENUES	<u>2,764,542</u>	<u>2,764,542</u>	<u>1,098,062</u>	<u>-</u>	<u>(1,666,480)</u>
EXPENDITURES					
Public Works	2,605,000	2,605,000	885,507	-	1,719,493
	-	-	-	-	-
TOTAL EXPENDITURES	<u>2,605,000</u>	<u>2,605,000</u>	<u>885,507</u>	<u>-</u>	<u>1,719,493</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159,542	159,542	212,555	-	53,013
Other Financing Sources (Uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ 159,542</u>	<u>\$ 159,542</u>	<u>\$ 212,555</u>	<u>\$ -</u>	<u>\$ 53,013</u>
Adjustments to GAAP Basis					
Revenue Accruals			(132,115)		
Expense Accruals			132,115		
NET CHANGE IN FUND BALANCE - GAAP BASIS			212,555		
FUND BALANCE-BEGINNING			348,601		
FUND BALANCE-ENDING			<u>\$ 561,156</u>		

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

CITY OF PETAL

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

PERS

Last 10 Fiscal Years*

	<u>2015</u>
City's proportion of the net pension liability (asset)	\$ 8,656,496
City's proportionate share of the net pension liability (asset)	0.056%
City's covered - employee payroll	3,500,889
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.265660%
Plan fiduciary net position as a percentage of the total pension liability	61.703983%

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

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

CITY OF PETAL

Schedule of the City's Contributions

PERS

Last 10 Fiscal Years *

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

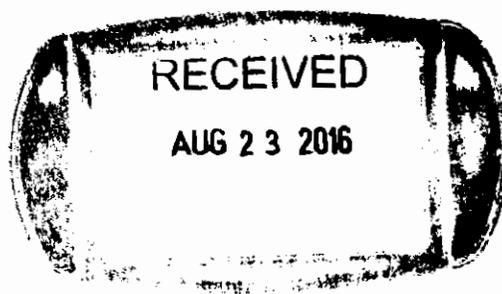
The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available

CITY OF PETAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

BUDGETARY COMPARISON SCHEDULE

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

OTHER SUPPLEMENTARY INFORMATION



**CITY OF PETAL, MISSISSIPPI
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

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

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

CITY OF PETAL, MISSISSIPPI
SCHEDULE OF FEDERAL EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Transportation</u>		
Administered through the Federal Highway Administration		
Passed-through Mississippi Department of Transportation		
Federal Aid Highway Program	20.205	\$ 610,644
Total U.S. Department of Transportation		<u>610,644</u>
<u>U. S. Department of Homeland Security</u>		
Administered through the Federal Emergency Management Agency		
Passed-through Mississippi Emergency Management Agency		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 160,689
Administered through the Department of Public Safety		
Passed-through Mississippi Department of Public Safety		
Homeland Security Grant Program	97.067	\$ 27,000
Total U.S. Department of Homeland Security		<u>187,689</u>
Total for All Federal Awards		<u>\$ 798,333</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The expenditure amounts include transfers out.

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

July 25, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petal, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Petal, Mississippi's basic financial statements and have issued our report thereon dated July 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Petal's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described as item 2014-1 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2014-2 in the accompanying schedule of findings and questioned costs to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Petal, Mississippi's financial statements are free of 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.

City of Petal's Response to Findings

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

Purpose of this Report

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

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC
Certified Public Accountants
Hattiesburg, Mississippi

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS OF EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

July 25, 2016

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

Report on Compliance for Each Major Federal Program

We have audited the City of Petal, Mississippi's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. City of Petal's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Petal's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Petal's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Petal complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of City of Petal is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC.
July 25, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Federal Aid Highway Program, CFDA 20.205 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

- 10 Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? No

Section II: Financial Statement Findings

2015-1 Finding

Material Weakness (repeated from 2014 audit findings)

The City of Petal does not have an adequate internal control system for cash procedures in Water and Sewer Department. Undeposited Funds account balance is not reconciled with actual amounts in cash drawers.

Criteria

Management should monitor cash transactions, including reconciliation of undeposited funds and closing of cash drawers.

Effect

Failure to develop adequate internal control system for cash transactions may lead to fraud.

Recommendation

The management should improve oversight of cash transactions, especially in Water and Sewer Department

Response

Management will establish monitoring procedures to ensure compliance with City policies of daily closing cash drawers and depositing cash in bank and on reconciling ledger accounts to actual cash drawers.

2015-2 Finding

Significant Deficiency

The City of Petal does not have an adequate internal control system for maintaining general ledger balances of clearing accounts. Clearing accounts are not reconciled to zero periodically.

Criteria

Management should monitor clearing accounts, including reconciliation of account balances to zero.

Effect

Failure to develop adequate internal control system for clearing accounts may lead to fraud.

Recommendation

The management should improve oversight of transfers funds to clearing accounts and accounts reconciliations.

Response

The City will obtain training on the software generated entries for accounting personnel and will implement procedures for reconciling and monitoring of clearing accounts.

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

July 25, 2016

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

We have audited the basic financial statements of the City of Petal as of and for the year ended September 30, 2015, and have issued our report thereon dated July 17, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

Wright CPA Group, PLLC

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Certified Public Accountants
Hattiesburg, Mississippi

