

BE IT REMEMBERED THAT THERE WAS BEGUN AND HELD THE REGULAR MEETING OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI ON JULY 18, 2006 AT 7:00 P.M. IN THE BOARDROOM OF SAID CITY.

THOSE PRESENT	MAYOR CARL SCOTT
CITY ATTORNEY	THOMAS W TYNER
ALDERMEN	DAVID CLAYTON KAY FAIRLEY JAMES MOORE STEVE STRINGER LIESA WEAVER
OTHERS PRESENT	WILLIE HINTON B C LEWIS M L READY MARC BROOME PENNY LUCKEL AND MANY MORE

THE MAYOR DECLARED A QUORUM PRESENT AND DECLARED THE CITY COUNCIL IN SESSION.

THE INVOCATION WAS OFFERED BY BRO SHANE STANFORD.

THE PLEDGE OF ALLEGIANCE WAS RECITED.

WHEREAS, MAYOR SCOTT PRESENTED THE AGENDA WITH THE FOLLOWING CHANGES:

- IX. GENERAL BUSINESS
 - 1. OMIT
 - 13. REQUEST TO REFUND MICKEY BALL \$32.00 FOR EXCESSIVE WATER BILL.
 - 14. REQUEST TO REFUND ESTELLA JONES \$78.00 FOR EXCESSIVE WATER BILL.
 - 15. REQUEST TO GRANT A VARIANCE FOR CENTERLINE CURVE RADIUS OF 125FEET FOR STONEBROOK.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE AGENDA AS WRITTEN. ALDERMAN CLAYTON SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE MINUTES OF THE REGULAR MEETING OF JULY 3, 2006 AND THE SPECIAL MEETING OF JULY 17, 2006.

THEREUPON, ALDERMAN MOORE MADE A MOTION THAT THE MINUTES OF THE REGULAR MEETING OF JULY 3, 2006 AND THE SPECIAL MEETING OF JULY 17, 2006 BE ADOPTED AS WRITTEN. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT CALLED FOR PUBLIC COMMENT.

WHEREAS, MAYOR SCOTT PRESENTED THE BIDS FOR ASPHALT/ASPHALT OVERLAY FOR THE SIX (6) MONTH TERM CONTRACT OF JULY 1, 2006-DECEMBER 31,2006.

	FOB	IN-PLACE
DUNN ROADBUILDERS P O BOX 6560 LAUREL, MS 39441	\$51.25	\$75.00
WARREN PAVING P O BOX 572 HATTIESBURG, MS	\$47.75	\$65.50

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ACCEPT BOTH OF THE FOREGOING BIDS. ALDERMAN CLAYTON SECONDED THE MOTION.

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM SHOWS, DEARMAN, AND WAITS, INC TO ACCEPT THE BID FOR LIFT STATION AND WATER WELL REHAB.

SEE EXHIBIT "A"

BIDS

THEREUPON, ALDERMAN MOORE MADE A MOTION TO ACCEPT THE BID FROM BUSH CONSTRUCTION CO., INC WITH A CHANGE ORDER SIGNED OFF BY SHOWS, DEARMAN, & WAITS, INC. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RECOMMENDATION FROM SHOWS, DEARMAN AND WAITS, INC FOR BIDS ON SEWER LINE EXTENSION.

SEE EXHIBIT "B"

BIDS

THEREUPON, ALDERMAN CLAYTON MADE A MOTION TO ACCEPT THE BID FROM UTILITY CONSTRUCTORS IN THE AMOUNT OF \$1,426,173.75 FOR SEWER LINE EXTENSION. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE BIDS FOR DITCH CLEANING AND EXCAVATION.

SEE EXHIBIT "C"

BIDS

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE BID FROM REED CONSRUCTION FOR DITCH CLEANING AND EXCAVATION. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

THEREUPON, SAMMY LOVITT ADRESSED THE MAYOR AND BOARD OF ALDERMEN TO SEE ABOUT GETTING ELECTRICITY AND HIS PRIVILEGE LICENSE FOR A CAR LOT LOCATED AT 302 W CENTRAL AVENUE. HE STATED THAT THE OWNER WILL ONLY GIVE HIM A MONTH TO MONTH LEASE AND HE DOES NOT WANT TO PUT A LOT OF MONEY INTO ANYTHING CAUSE HE DOESN'T KNOW HOW LONG THE LEASE WILL LAST, CAUSE SHE IS IN THE PROCESS OF TRYING TO SELL THE LOT.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO GIVE SAMMY LOVITT UNTIL JANUARY 31, 2007 TO COMPLY WITH THE BUILDING ORDINANCE AND TO HAVE THE BUILDING STRAPPED DOWN, TAKE THE POWER PANEL OFF OF BUILDING AND HAVE A POLE FOR THE POWER, SKIRTING, FACING BOARD, STRIPE THE PARKING LOT, HAVE HAND RAILS FOR HANDICAP AND RAMP AND GET A LETTER FROM EXISTING BUILDING NEXT DOOR FOR USE OF THE RESTROOMS. ALDERMAN STRINGER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM THE CITY CLERK TO ADVERTISE FOR A PUBLIC HEARING FOR THE 2006-2007 MOTOR VEHICLE ASSESSMENT SCHEDULE.

THEREUPON, ALDERMAN STRINGER MADE A MOTION FOR THE CITY CLERK TO ADVERTISE FOR A PUBLIC HEARING TO BE HELD AUGUST 15, 2006 AT 7:00 P.M. FOR THE 2006-2007 MOTOR VEHICLE ASSESSMENT SCHEDULE. ALDERMAN CLAYTON SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REFUND RUDY STEPHENS \$11.00 FOR OVERPAYMENT OF WATER BILL.

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO REFUND RUDY STEPHENS \$11.00 FOR OVERPAYMENT ON HER WATER BILL. ALDERMAN STRINGER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REFUND MARIE CURRY \$50.00 FOR METER DEPOSIT THAT CREDITED TO HER WATER BILL.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO REFUND MARIE CURRY \$50.00 FOR METER DEPOSIT THAT WAS CREDITED TO HER WATER BILL. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO SET ZONING HEARING DATE FOR PROPERTY LOCATED AT 100 CHARLES STREET.

THEREUPON, ALDERMAN CLAYTON MADE A MOTION TO SET THE ZONING HEARING DATE FOR AUGUST 8, 2006 AT 7:00 P.M. FOR PROPERTY LOCATED AT 100 CHARLES STREET. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO SET A ZONING HEARING DATE FOR PROPERTY LOCATED AT 304 HIGHWAY 42.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO SET THE ZONING HEARING DATE FOR AUGUST 8, 2006 AT 7:00 P.M. FOR PROPERTY LOCATED AT 304 HIGHWAY 42. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED AN INVOICE FROM LARRY JOE DAUGHTRY IN THE AMOUNT OF \$4,929.39 FOR DESIGN SERVICES FOR SPORTS LIGHTNING IMPROVEMENTS AT ROBERT E RUSSELL SPORTS COMPLEX.

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO AUTHORIZE THE CITY CLERK TO PAY INVOICE IN THE AMOUNT OF \$4,929.39 TO LARRY JOE DAUGHTRY FOR DESIGN SERVICES FOR SPORTS LIGHTNING IMPROVEMENTS AT ROBERT E RUSSELL SPORTS COMPLEX. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED INVOICE #638316 IN THE AMOUNT OF \$79,917.00 FROM MIRACLE RECREATION EQUIPMENT FOR PLAYGROUND EQUIPMENT AT FRIENDLY PARK.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO AUTHORIZE THE CITY CLERK TO PAY INVOICE #638316 IN THE AMOUNT OF \$79,917.00 TO MIRACLE RECREATION EQUIPMENT FOR PLAYGROUND EQUIPMENT AT FRIENDLY PARK. ALDERMAN CLAYTON SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE AUDIT FOR FY 2004-2005 FROM KING CPA.

SEE EXHIBIT "D"

AUDIT
FY 2004-2005

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE FY 2004-2005 AUDIT FROM KING CPA. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO CONTRACT WITH GILLILAND ELECTRONICS FOR A SECURITY SYSTEM AT CITY HALL.

SEE EXHIBIT "E"

CONTRACT
GILLILAND ELECTRONICS

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO AUTHORIZE THE MAYOR TO EXECUTE THE CONTRACT WITH GILLILAND ELECTRONICS FOR A SECURITY SYSTEM AT CITY HALL. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING PROOFS OF PUBLICATION:

- A. PUBLIC NOTICE-ZONING HEARING 612 S GEORGE STREET

- B. PUBLIC NOTICE-ZONING HEARING S MAIN & W 10TH AVENUE
- C. AD FOR BIDS-INSTALLATION OF WATER LINE ON HILLCREST CIRCLE
- D. NOTICE TO BIDDERS-ASPHALT/ASPHALT OVERLAY

THEREUPON, ALDERMAN MOORE MADE A MOTION TO ACCEPT THE PROOFS OF PUBLICATION FOR FILING. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REFUND MICKEY BALL \$32.00 FOR AN EXCESSIVE WATER BILL.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO REFUND MICKEY BALL \$32.00 FOR AN EXCESSIVE WATER BILL. ALDERMAN FAIRELY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REFUND ESTELLA JONES \$78.00 FOR AN EXCESSIVE WATER BILL.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO REFUND ESTELLA JONES \$78.00 FOR AN EXCESSIVE WATER BILL. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO GRANT A VARIANCE FOR STONEBROOK SUBDIVISION.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO GRANT A VARIANCE FOR STONEBROOK SUBDIVISION TO HAVE A 125 FEET CENTERLINE CURVE RADIUS ON ONE ROADWAY CURVE. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER:

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY TO HIRE A FULL TIME LABORER IN THE STREET DEPARTMENT.

IT IS HEREBY ORDERED THAT STANCE BRADLEY BE HIRED IN THE STREET DEPARTMENT AS A LABORER AT A RATE OF \$8.00 PER HOUR EFFECTIVE JULY 24, 2006.

SO ORDERED ON THIS THE 18TH DAY OF JULY, 2006.

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER:

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY TO HIRE A FULL TIME LABORER IN THE WATER DEPARTMENT.

IT IS HEREBY ORDERED THAT JOHN CLUFF BE HIRED IN THE WATER DEPARTMENT AS A LABORER AT A RATE OF \$8.00 PER HOUR EFFECTIVE JULY 25, 2006.

SO ORDERED ON THIS THE 18TH DAY OF JULY, 2006.

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN CLAYTON SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER:

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY TO INCREASE THE PAY OF A LABORER IN THE WATER DEPARTMENT.

IT IS HEREBY ORDERED THAT TONY EVANS' PAY BE INCREASED IN THE WATER DEPARTMENT TO A RATE OF \$8.00 PER HOUR EFFECTIVE JULY 19, 2006.

SO ORDERED ON THIS THE 18TH DAY OF

JULY, 2006.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER:

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY TO HIRE A FULL TIME BUS DRIVER IN THE RECREATION DEPARTMENT.

IT IS HEREBY ORDERED THAT DORIS WALTERS BE HIRED IN THE RECREATION DEPARTMENT AS A FULL TIME BUS DRIVER A RATE OF \$8.50 PER HOUR EFFECTIVE JULY 19, 2006.

SO ORDERED ON THIS THE 18TH DAY OF JULY, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN CLAYTON SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER:

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY TO HIRE A GROUNDS KEEPER IN THE RECREATION DEPARTMENT.

IT IS HEREBY ORDERED THAT LURA HUFFMAN BE TRANSFERRED FROM BUS DRIVER TO GROUNDS KEEPER IN THE RECREATION DEPARTMENT AT A RATE OF \$8.65 PER HOUR EFFECTIVE JULY 19, 2006.

SO ORDERED ON THIS THE 18TH DAY OF JULY, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN CLAYTON SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER:

ORDER

WHEREAS, THE MAYOR AND BOARD OF
ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI
DO HEREBY DEEM IT NECESSARY TO HIRE A
PATROL OFFICER IN THE POLICE DEPARTMENT.

IT IS HEREBY ORDERD THAT KYLE STEWART
BE HIRED AS A 3RD CLASS PATROLMAN IN THE
POLICE DEPARTMENT AT A RATE OF \$26,100.00
ANNUALLY EFFECTIVE JULY 24, 2006.

SO ORDERED ON THIS THE 18TH DAY OF
JULY, 2006.

THEREUPON, ALDERMAN CLAYTON MADE A MOTION TO ADOPT THE FOREGOING
ORDER. ALDERMAN STRINGER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDINANCE:

SEE EXHIBIT "F"

ORDINANCE 1974(3-B)

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING
ORDINANCE. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADJOURN. ALDERMAN
FAIRLEY SECONDED THE MOTION.

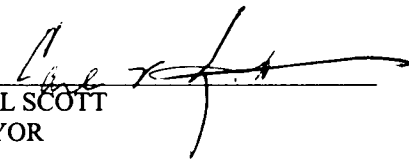
THOSE PRESENT AND VOTING "AYE"

ALDERMAN DAVID CLAYTON
ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER
ALDERMAN LIESA WEAVER

THOSE PRESENT AND VOTING "NAY"

NONE


THEREBEING NO FURTHER BUSINESS, THE REGULAR MEETING OF THE MAYOR
AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI WAS ADJOURNED ON
THIS THE 18TH DAY OF JULY, 2006.



CARL SCOTT
MAYOR

(SEAL)

ATTEST:

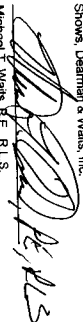


JEANISHEE
CITY CLERK

Item No.	Item Description	Quantity	Unit	Unit Price	Amount	Unit Price	Amount	Unit Price	Amount
28	Generator-100 kw (With Appurtenances) (Program w/250 gal tank)	1.0	EA	\$30,000.00	\$30,000.00	\$47,344.53	\$47,344.53	\$37,000.00	\$37,000.00
				ALTERNATE NO. 1 TOTAL:	\$30,000.00	\$47,344.53	\$47,344.53	\$37,000.00	\$37,000.00

NOTE: ITEM #28 MAY BE SUBSTITUTED FOR ITEM #17 AT CAMCO LIFT STATION
 *DIRECT LIFTAL ROAD BORE TO INCLUDE 10" HOPE (SDR 11) PIPE AND APPROPRIATE FITTINGS
 TO CONNECT TO PVC FORCE MAIN AT EACH END OF BORE

This is to certify that I have checked the tabulation of the bids received by the City of Petal at 10:00 AM on July 18, 2006, and that said tabulation is true and correct to the best of my belief.

Shows, Deamag & Wails, Inc.

 Michael I. Wails, F.E., P.L.S.

CITY OF PETAL
MINUTE BOOK 26
EXHIBIT "A"

BID TABULATION
 Utility Constructors
 Jackson, MS 39228
 Pipe Services, Inc.
 P.O. Box 86
 Melain, MS 39456
 Hemphill Construction
 P.O. Drawer 879
 Florence, MS 39073

Item No.	Item Description	Quantity	Unit	Unit Price	Amount	Unit Price	Amount	Unit Price	Amount
1	8" PVC Sewer SDR 26 (0 - 6)	115.0	L.F.	\$13.50	\$1,552.50	\$16.44	\$1,890.60	\$30.00	\$3,450.00
2	8" PVC Sewer SDR 26 (6 - 8)	60.0	L.F.	\$16.50	\$990.00	\$22.09	\$1,325.40	\$32.00	\$1,920.00
3	8" PVC Sewer SDR 26 (8 - 10)	98.0	L.F.	\$20.00	\$1,960.00	\$27.74	\$2,718.52	\$35.00	\$3,430.00
4	8" PVC Sewer SDR 26 (10 - 12)	77.0	L.F.	\$25.00	\$1,925.00	\$33.39	\$2,571.03	\$40.00	\$3,080.00
5	4" PVC Force Main	600.0	L.F.	\$5.75	\$3,450.00	\$5.83	\$3,498.00	\$13.00	\$7,800.00
6	4" PVC Force Main	19364.0	L.F.	\$10.30	\$199,449.20	\$11.24	\$217,651.36	\$18.00	\$348,552.00
7	10" PVC Force Main	28817.0	L.F.	\$14.65	\$392,889.05	\$15.56	\$447,272.52	\$23.00	\$665,791.00
8	Directional Road Bore	80.0	L.F.	\$70.00	\$5,600.00	\$78.85	\$6,308.00	\$170.00	\$13,600.00
9	12" Steel Casing (Bored)	60.0	L.F.	\$68.50	\$4,110.00	\$69.17	\$3,790.20	\$135.00	\$8,100.00
10	12" Steel Casing (Open Cut)	64.0	L.F.	\$28.50	\$1,888.00	\$42.36	\$2,711.04	\$37.00	\$2,368.00
11	12" PVC Casing (Bored)	100.0	L.F.	\$55.00	\$5,500.00	\$52.11	\$5,211.00	\$112.00	\$11,200.00
12	12" PVC Casing (Open Cut)	746.0	L.F.	\$18.00	\$13,428.00	\$46.06	\$34,380.78	\$30.00	\$22,380.00
13	16" PVC Casing (Open Cut)	260.0	L.F.	\$28.00	\$7,280.00	\$40.20	\$10,452.00	\$41.00	\$10,660.00
14	Lift Station @ 250 g.p.m.	2.0	EA	\$167,000.00	\$334,000.00	\$138,963.60	\$277,927.20	\$244,000.00	\$488,000.00
15	Lift Station @ 700 g.p.m.	1.0	EA	\$170,000.00	\$170,000.00	\$185,193.41	\$185,193.41	\$280,000.00	\$280,000.00
16	Generator-75 kw (With Appurtenances) (Natural Gas)	1.0	EA	\$34,000.00	\$34,000.00	\$34,124.29	\$34,124.29	\$40,200.00	\$40,200.00
17	Generator-100 kw (With Appurtenances) (Natural Gas)	2.0	EA	\$28,000.00	\$56,000.00	\$31,289.44	\$62,578.88	\$35,800.00	\$71,600.00
18	Air Release Valve w/ Manhole	12.0	EA	\$2,875.00	\$34,500.00	\$2,693.86	\$32,326.32	\$2,000.00	\$24,000.00
19	Convert Exist. Lift Station to Manhole	3.0	EA	\$2,600.00	\$7,800.00	\$3,168.67	\$9,506.01	\$8,000.00	\$24,000.00
20	Manhole Street and Driveway Repair	10336.0	S.Y	\$5.00	\$51,680.00	\$13.28	\$145,230.08	\$50.00	\$516,800.00
21	Concrete Driveway Repair	378.0	S.Y	\$33.00	\$12,474.00	\$40.11	\$15,161.58	\$65.00	\$24,570.00
22	Select Material (Class 9)	5452.0	C.Y	\$5.00	\$27,260.00	\$9.04	\$49,286.08	\$10.00	\$54,520.00
23	Granular Material (Class 6, Group 5)	150.0	C.Y	\$20.00	\$3,000.00	\$25.55	\$3,832.50	\$20.00	\$3,000.00
24	Wash Gravel Bedding	500.0	C.Y	\$15,000.00	\$7,500,000.00	\$31.97	\$15,835.00	\$20.00	\$10,000.00
25	Grassing	1.0	C.Y	\$15,000.00	\$15,000.00	\$25,667.80	\$25,667.80	\$10,000.00	\$10,000.00
26	Silt Fence	2500.0	L.F.	\$2.50	\$6,250.00	\$2.26	\$5,650.00	\$1.00	\$2,500.00
27	Erosion Checks	500.0	L.F.	\$5.00	\$2,500.00	\$5.65	\$2,825.00	\$8.00	\$4,000.00
				BID TOTAL:	\$1,428,173.75	\$1,574,768.58	\$1,574,768.58	\$2,644,081.00	\$2,644,081.00

EXHIBIT "B"



SHOWS, DEARMAN & WAITS, INC.
CONSULTING ENGINEERS
P.O. BOX 1711, 301 SECOND AVENUE
HATTIESBURG, MISSISSIPPI, 39403-1711
P: (601) 544-1821 F: (601) 544-0501
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RAYMOND M. DEARMAN, P.E., R.L.S.
MICHAEL T. WAITS, P.E., R.L.S.
NICHOLAS M. CONNOLLY, P.E., P.L.S.
KYLE D. WALLACE, P.E.
SHEA E. McNEASE, P.E.
ERIC F. LANG, E.I.
JOHN T. WEEKS, E.I.

PAUL J. SHOWS (1996)

July 18, 2006

City of Petal
P.O. Box 564
Petal, MS 39465
Attn: Mayor Carl Scott

Re: Meadowbrook, Camco and Trailwood Lift Stations
Bid Tabulation

Dear Mayor Scott,

We have prepared the above referenced and it is enclosed with this letter. Our firm recommends the City award the project to Utility Constructors. We further recommend you award the Alternate No. 1 instead of one of the Natural gas generators contained in Item 17 of the Proposal. This adjusts the Bid Total based on Unit Prices to \$1,428,173.75.

The Trailwood Lift Station will require Natural gas to be installed to power the Generators. The gas company has preliminarily informed us the cost for the installation is \$3,215.00. Our firm is negotiating the final agreement with the gas company.

Should you have any questions or comments, please do not hesitate to contact me. With kindest regards, I remain

Sincerely,

Michael T. Waits, P.E., R.L.S.

MTW/II

enclosure

EXHIBIT "C"

Reed Construction

SECTION I
DITCH CLEARING
PRICE PER LINEAR FEET

ITEM	WIDTH OF DITCH (FT) (BOTTOM)	DEPTH OF DITCH (FT)				
		0-3	3-5	5-8	8-10	>10
1	0-3	2.00	2.50	3.00	3.50	4.00
2	3-5	2.50	3.00	3.50	4.00	4.50
3	5-8	3.00	3.50	4.00	4.50	5.00
4	8-10	3.50	4.00	4.50	5.00	5.50
5	>10	4.00	4.50	5.00	5.50	6.00

SECTION II
DITCH EXCAVATION
PRICE PER LINEAR FEET

ITEM	WIDTH OF DITCH (FT) (BOTTOM)	DEPTH OF DITCH (FT)				
		0-3	3-5	5-8	8-10	>10
	0-3	4.00	4.50	5.00	5.50	6.00
	3-5	4.50	5.00	5.50	6.00	6.50
3	5-8	5.00	5.50	6.00	6.50	7.00
4	8-10	5.50	6.00	6.50	7.00	7.50
5	>10	6.00	6.50	7.00	7.50	8.00

SECTION III
COMBINATION DITCH CLEANING / EXCAVATION
PRICE PER LINEAR FEET

ITEM	WIDTH OF DITCH (FT) (BOTTOM)	DEPTH OF DITCH (FT)				
		0-3	3-5	5-8	8-10	>10
1	0-3	4.50	5.00	5.50	6.00	6.50
2	3-5	5.00	5.50	6.00	6.50	7.00
3	5-8	5.50	6.00	6.50	7.00	7.50
4	8-10	6.00	6.50	7.00	7.50	8.00
5	>10	6.50	7.00	7.50	8.00	8.50

EXHIBIT "D"

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CITY OF PETAL, MISSISSIPPI
AUDIT REPORT
SEPTEMBER 30, 2005

American Institute of Certified Public Accountants **King CPA, PLLC** Mississippi Society of Certified Public Accountants
206 Hwy 42 P.O. Box 1182
Petal, MS 39465
Telephone 601-544-9795...Fax 601-544-9793

AUDITOR'S REPORT

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Petal as of and for the year ended September 30, 2005, which collectively comprise the City of Petal's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Petal's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2006, on our consideration of the City of Petal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison schedules on pages 5 through 14 and 56 are not a required part of the basic financial statements but are supplementary information required by the accounting principles accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Petal's basic financial statements. The accompanying 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

King CPA, PLLC

King CPA, PLLC
June 1, 2006

EXHIBIT "D"

The discussion and analysis of the City of Petal's financial performance provides an overall narrative review of the city's financial activities for the year ended September 30, 2005. The intent of this discussion and analysis is to look at the city's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the city's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the city's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,678,741, which represents 21.31% increase from fiscal year 2004. The increase was a result of capital grants of \$839,109.
- General revenues account for \$4,092,358 of revenue, or 59.99% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,728,942 or 40.01% of total revenues.
- The City had \$5,142,559 in expenses; only \$2,728,942 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,092,358 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,976,425 in revenues, \$4,143,988 in expenditures, and other financing uses (net) of \$212,213. The General Fund's fund balance decreased by \$379,775 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$1,248,182, including adjustments.
- Long-term debt decreased by \$493,541.

CITY OF PETAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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 years.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) and water and sewer charges (proprietary activities). The governmental activities of the City include general government, public safety, public works, and interest expense on bonds and leases.

The government-wide financial statements can be found on pages 16-17 of the 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 two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information

CITY OF PETAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

may be useful in evaluating the City's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the City's operations.

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, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary funds

The City of Petal maintains one type of proprietary fund, the enterprise fund. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Fund to account for its Water and Sewer Department and its Solid Waste Operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 23-27 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 on pages 28-54 of this report.

Other information

In addition to the basic financial statements accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds and proprietary funds. Budgetary comparison statements have been provided for the General Fund and the Enterprise Fund. This required supplementary information can be found on pages 56-57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets
Net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$9,558,023 as of September 30, 2005.

By far the largest portion of the City's net assets (54%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending.

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.

The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2005.

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current assets	\$ 4,565,416	\$ 3,281,329	\$ 516,078	\$ 765,816	\$ 5,081,494	\$ 4,047,145
Capital assets net	7,244,857	7,863,988	2,928,128	3,271,978	10,172,985	11,139,123
Total assets	\$ 11,810,273	\$ 11,145,317	\$ 3,444,206	\$ 4,037,794	\$ 14,258,412	\$ 15,286,268
Current liabilities	\$ 701,256	\$ 728,650	\$ 71,583	\$ 313,458	\$ 772,839	\$ 1,042,108
Long-term debt outstanding	5,347,158	3,810,086	1,053,205	861,862	6,400,363	\$ 4,673,970
Total liabilities	\$ 6,048,414	\$ 4,538,736	\$ 1,124,788	\$ 1,175,320	\$ 7,173,572	\$ 5,716,078
Net assets:						
Invested in capital assets	2,530,678	3,528,634	1,710,681	2,454,478	4,241,359	\$ 5,983,112
Net of related debt	-	-	137,282	128,058	137,282	128,058
Reserves	3,331,186	2,966,847	406,460	449,000	3,737,646	3,458,832
Unreserved	-	-	-	-	-	-
Total net assets	\$ 5,861,864	\$ 6,522,481	\$ 2,254,423	\$ 3,027,536	\$ 8,116,287	\$ 9,442,042

EXHIBIT "D"

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The completion of \$2.5 million in infrastructure from construction in progress rebuilding South Main Street, construction of a new fire station and the completion of erosion control project. These were partially funded by grants from MS Department of Transportation and US Department of Agriculture.

Changes in net assets

The City total revenues for the fiscal year ended September 30, 2005 were \$7,448,292. The total cost of all programs and services was \$5,769,551. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005.

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues						
Charges for services	\$ 362,919	\$ 356,965	\$ 1,367,795	\$ 1,411,824	\$ 1,730,714	\$ 1,768,819
Operating Grants	132,281	121,014	-	-	132,281	121,014
Capital Grants	1,711,366	836,100	34,820	-	1,746,186	836,100
General revenues	3,856,746	4,086,732	-	5,626	3,856,746	4,092,358
Transfers	34,847	-	-	628,982	34,847	628,982
Total revenues	\$ 6,102,159	\$ 5,472,831	\$ 1,402,615	\$ 2,047,432	\$ 7,504,774	\$ 7,520,292
Expenses:						
General Government	633,089	713,943	-	-	633,089	713,943
Court	-	172,675	-	-	-	172,675
Public Safety	2,368,520	2,263,839	-	-	2,368,520	2,263,839
Public Works	1,243,788	40,510	-	-	1,243,788	40,510
Culture & Recreation	348,193	365,638	-	-	348,193	365,638
Solid Waste	-	-	422,485	348,052	422,485	348,052
Water & Sewer	-	-	988,616	983,256	988,616	983,256
Transfers	-	628,982	34,847	-	34,847	628,982
Interest on long-term liabilities	111,108	253,636	-	-	111,108	253,636
Total expenses	\$ 4,722,609	\$ 4,437,233	\$ 1,445,948	\$ 1,332,318	\$ 6,168,647	\$ 5,769,551
Inc. (Dec.) in net assets	\$ 1,379,550	\$ 1,035,600	\$ (3,333)	\$ 715,114	\$ 1,376,217	\$ 1,750,741

Governmental activities

The following table presents the cost of major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	2004		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
General Government	\$ 633,089	\$ (633,089)	\$ 713,943	\$ (713,943)
Court	-	-	172,675	(172,675)
Public Safety	2,368,520	(1,937,701)	2,263,839	(1,907,136)
Public Works	1,243,788	470,238	40,510	875,254
Culture & Recreation	348,193	(264,472)	365,638	(320,987)
Interest on long-term liabilities	111,108	(111,108)	253,636	(253,636)
Total expenses	\$ 4,722,609	\$ (2,496,132)	\$ 3,810,241	\$ (2,493,123)

- Net cost for 2005 of governmental activities (\$2,493,123), was funded by general revenue, which is made up of primarily property taxes (\$1,876,450) and state sales tax (\$1,489,276).

- Investment earnings accounted for \$49,009 of funding.

Business-type activities

Business type activities increased the City of Petal's net assets by \$712,124. Water & Sewer increased by \$600,584 with Solid Waste reporting an increase of \$111,540. The increase in water & sewer assets is due primarily to net capital project contributions of \$626,992.

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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$2,915,747, a decrease of \$948,396. In the general fund \$609,472 or 21% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining fund balance of \$2,306,274 or 79% is reserved or designated to indicate that it is not available for spending because it has already been committed.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised the annual operating budget.

- Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2005, the City's total capital assets were \$24,798,177, including city buildings, infrastructure, vehicles and furniture and equipment. Total accumulated depreciation as of September 30, 2005 was \$13,769,052 and total depreciation expense for the year was \$574,526, resulting in total net assets of \$11,029,125.

Additional information of the City's capital assets can be found in Note 5 on pages 42-43 of this report.

Debt Administration

At September 30, 2005, the City had \$5,046,063 in general obligation bonds and other long-term debt outstanding, of which \$442,034 is due within one year.

Additional information of the City's long-term debt can be found in Note 7 on pages 44-50 of this report.

CURRENT ISSUES

Water and Sewer System

The City of Petal is currently engaged in numerous infrastructure improvements projects. As a result of little to no routine maintenance, age, annexation and Hurricane Katrina, all City owned water well locations and lift stations are scheduled for modernization and/or total replacement. Anticipated completion date for facilitating all work necessary is projected by summer 2007. Ninety percent of all sewer lines were televised in the original city limits of Petal necessitating a series of sewer line replacements conducted under emergency contract orders. Multiple contracts have been let to install sewer infrastructure to those areas annexed in 2003. Grant applications have been submitted for two additional sewer and water projects with awards if granted due in the spring of 2007. The City has plans to partner with Sunrise Water Association to provide necessary fire hydrant protection through upgrades to their water system for areas located within the city limits. With no opportunity to work with Barrontown Water Association, the City will be forced to lay new water pipe in areas served by this district to provide necessary fire hydrant protection. All of these projects are being financed by the passage of fifteen million dollars in revenue bonds.

Another current issue regarding water is the unacceptable loss ratio in gallons pumped to gallons sold. This is currently running at about forty percent and under no circumstances can this be legitimately justified. Although not a new issue, it is the desire of this mayor and board of aldermen to address this problem once and for all. In reviewing past audit reports it is obvious that our city has a record of annual decreasing water sales and record increases in new home construction this is indicative of a severely inefficient billing system. Work has already begun on looking into the source of the problem by conducting an audit of every customer receiving water utilities, involvement by the state auditor's office, dismissal of the existing water billing clerk and meter readers, metering all city owned facilities and the installation of electronic meter in an effort to eliminate human error.

The City's pursuit of water customers that has unpaid balances is another current problem that needs to be addressed immediately. It would seem that the past practice was to just simply ignore this issue and that is something that is simply not acceptable. With over sixty-five thousand dollars owed the City in unpaid balances, an aggressive collection mechanism needs to be implemented. Discussions need to take place between the city auditor, city attorney, mayor and board to implement an appropriate solution to address the current situation and prevent this balance from steadily increasing.

Road and Infrastructure

There are planned expansions of widening Highway 42 from the new Wal-Mart location to Sunrise Road and Highway 11 from Central Avenue to the new by-pass location by

EXHIBIT "D" CURRENT ISSUES (cont)

MDOT. Neither of these projects have been contracted to date and are being mentioned only as potential constructions in future periods.

The Federal transportation bill that passed in 2005 allocated \$ 1.2 million for the Byrd Boulevard Extension and \$160,000 to Petal's first bicycle corridor. None of this money has been received by the City to date and planned construction will begin as soon as the funds are allocated. In addition, several MPO projects have been submitted with associated grant applications that have the opportunity to significantly impact the City's transportation needs. Most notably is the project creating a pedestrian friendly corridor that encapsulates the business district, two of the school locations, playgrounds, recreational facilities and numerous residential neighborhoods.

Deteriorating ancillary asphalt will need to be addressed in the short term, but no investment of time and money will take place until all infrastructure improvements have been put in place.

Court System

The court system is problematic in that one, there seems to be no span of control over collection activities and two, there is an ever-increasing dollar amount associated with unpaid fines. Serious discussions need to take place to address these areas of concern before they become issues.

Summary

For the most part, as mayor, I believe that we have identified most of our critical issues and have worked to either correct or implement a strategy designed to address all areas of concern. For the next fiscal year it is imperative that we concentrate our efforts on increasing our efficiency and effectiveness in all our operations. While it is easy to state we are understaffed due to budget constraints, there are certainly many process improvements that can be implemented to streamline some of our operations. Department heads are going to be required to make an internal assessment of all their processes to reduce or eliminate redundancy, seek cost saving measures and promote greater efficiency. Beginning with this new fiscal year, our management team should be finally in place that will afford us the opportunity to examine every facet of our operation from not only a management standpoint, but from a financial and marketing view as well. This alone will substantially produce results in addressing our current list of issues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

If you have any questions about this report, contact the Mayor's Office of the City of Petal, 102 West 8th Avenue, Petal, MS 39465.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PETAL
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 3,034,631	\$ 305,995	\$ 3,340,626
Receivables, net of allowance for uncollectibles	226,463	125,694	352,157
Unbilled income	-	34,883	34,883
Internal balances	20,235	(20,235)	-
Inventory, at cost	-	10,000	10,000
Restricted Assets	-	126,059	126,059
Cash Bond Reserves	-	183,420	183,420
Customer deposits	-	3,249,500	11,029,124
Capital assets, net	7,779,624	-	7,779,624
Capitalized interest and bond costs (net)	104,264	21,576	125,840
Total Assets	\$ 11,165,217	\$ 4,036,892	\$ 15,202,109
LIABILITIES AND OTHER CREDITS			
Accounts Payable	\$ 356,285	\$ 62,666	\$ 418,951
Other payables	-	787	787
Customer deposits	-	144,786	144,786
Compensated absences	29,461	4,089	33,550
Noncurrent liabilities:			
Capital related debt due within one year	340,904	101,130	442,034
Capital related debt due in more than one year	3,910,086	693,892	4,603,978
Total Liabilities	4,636,736	1,007,350	5,644,086
NET ASSETS			
Invested in capital assets, net of related debt	3,528,634	2,454,478	5,983,112
Restricted for debt covenants	-	126,059	126,059
Unrestricted	2,999,847	449,003	3,448,850
Total Net Assets	6,528,481	3,029,540	9,558,021
Total Liabilities and Net Assets	\$ 11,165,217	\$ 4,036,892	\$ 15,202,109

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

CITY OF PETAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CITY OF PETAL
MINUTE BOOK 26

Exhibit B

EXHIBIT "D"

Function/Detail	Major Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 713,943	\$ -	\$ -	\$ -	\$ (713,943)		\$ (713,943)
Court	172,675	-	-	-	(172,675)		(172,675)
Public safety	2,263,429	235,669	121,014	-	(1,905,746)		(1,905,746)
Public works	41,510	76,635	-	439,769	875,254		875,254
Culture & recreation	363,638	44,651	-	-	(318,987)		(318,987)
Finance (other charges on long-term debt)	253,428	-	-	-	(253,428)		(253,428)
Total governmental activities	3,810,241	336,355	121,014	439,769	(2,497,123)		(2,497,123)
Business-type Activities							
Water & Sewer	961,336	951,336	-	-	\$ (10,000)		\$ (10,000)
Solid Waste	349,082	401,708	-	-	111,436		111,436
Total business-type activities	1,310,418	1,411,824			79,936		79,936
Total	\$ 5,120,659	\$ 1,768,179	\$ 121,014	\$ 439,769	(2,497,123)	79,936	(2,417,187)
General revenues					1,876,450		1,876,450
Property taxes					1,489,276		1,489,276
Sales taxes					341,016		341,016
Franchise fees					223,953		223,953
Provisional County fund fees					99,809		99,809
Grants and contributions (net of transfers to special programs)					6,649	5,626	5,635
Unrecovered investment earnings					4,131		4,131
Gain (loss) on sale of capital assets					(6,692)	6,267	-
Transfers					3,499,740	632,618	4,132,358
Total general revenues and transfers							
Change in net assets					966,617	712,424	1,679,041
Net assets - beginning					5,261,864	2,117,418	7,379,282
Net assets - ending					\$ 6,228,481	\$ 2,829,842	\$ 9,058,323

FUND FINANCIAL STATEMENTS

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

CITY OF PETAL
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

CITY OF PETAL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Exhibit C

Exhibit C-1

ASSETS AND OTHER DEBITS	General Fund	1.2 Construction Fund Maintenance		2.2 Construction Fund	Other Governmental Funds	Total Governmental Funds
		Fund	Sub-Maint Street Fund			
Cash and other deposits	\$ 649,283	\$ 410,143	\$ 63	\$ 1,683,212	\$ 283,936	\$ 3,026,637
Franchise fees receivable	74,324	-	-	-	-	74,324
Fees receivable net of \$1,693,692 allowance for uncollectibles	9,297	-	-	-	-	9,297
Due from other governments	126,964	-	-	-	-	126,964
Due from other funds	20,233	-	-	-	-	20,233
Other receivables	21,678	-	-	-	-	21,678
Total Assets	\$ 895,981	\$ 410,143	\$ 63	\$ 1,683,212	\$ 283,936	\$ 3,281,329
LIABILITIES AND OTHER CREDITS						
Accounts payable	\$ 217,212	\$ 752	\$ 13	\$ 51,086	\$ 27,226	\$ 306,289
Deferred Revenue	9,297	-	-	-	-	9,297
Total Liabilities	226,509	752	13	51,086	27,226	315,586
FUND BALANCES:						
Reserved	-	-	-	-	113,814	113,814
Reserved for bond	-	-	-	-	-	-
Unreserved, undesignated reported in General fund	869,472	-	-	-	-	869,472
Special revenue funds	-	415,391	-	-	143,960	559,351
Capital projects funds	-	-	48	1,632,122	-	1,632,170
Total fund balances	869,472	415,391	48	1,632,122	143,960	2,963,283
Total liabilities and fund balances	\$ 895,981	\$ 410,143	\$ 63	\$ 1,683,212	\$ 283,936	\$ 3,281,329

Total Fund Balance-Governmental Funds (Exhibit C)	\$ 2,915,747
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 \$4,778,158	7,778,624
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	9,297
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds	104,264
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(4,280,451)
Total Net Assets-Governmental Activities (Exhibit A)	\$ 6,528,481

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

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CITY OF PETAL
MINUTE BOOK 26 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, 2005

EXHIBIT "D"

Exhibit D

REVENUES	Business-type Activities - Enterprise funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	1 2 Construction/ South Main Street Fund	2 5 Construction Fund	Other Governmental Funds	
Property taxes	\$ 1,635,502	\$ -	\$ -	\$ -	\$ 240,948	\$ 1,876,450
Licenses and permits	433,661	-	-	-	-	433,661
Intergovernmental revenue	1,594,491	232,955	741,649	-	154,125	2,713,220
Charges for services	44,631	-	-	-	-	44,631
Fees and forfeitures	232,317	-	-	-	-	232,317
Miscellaneous	33,804	1,456	39	43,631	8,438	89,409
TOTAL REVENUE	3,976,435	324,451	741,688	43,631	493,511	5,389,707
EXPENDITURES						
at government	703,780	-	-	-	3,300	707,080
Public safety	172,673	-	-	-	58,030	2,311,392
Public works	659,710	156,367	746,594	321,732	3,994	1,888,603
Culture & recreation	341,741	-	-	-	-	341,741
Debt service	103,811	-	-	-	246,033	349,874
Interest	8,712	-	-	-	195,181	203,893
Other	-	-	-	-	49,712	49,712
Total expenditures	1,814,988	156,367	746,594	321,732	555,211	3,595,402
Excess (deficiency) of revenues over expenditures	(167,553)	67,884	(4,906)	(278,101)	(152,010)	(534,695)
Other financing sources (uses):						
Transfers in	-	-	-	230,000	123,004	353,004
Transfers out	(123,004)	-	-	(574,492)	-	(797,496)
Proceeds of debt	-	-	-	-	-	-
Insurance proceeds	(6,791)	-	-	-	-	(6,791)
Total other financing sources (uses)	(123,004)	-	-	(324,492)	123,004	(123,791)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(279,772)	67,884	(4,906)	(602,593)	(29,006)	(948,396)
Fund Balances - Beginning	989,317	347,207	4,934	2,326,722	285,710	3,864,113
Fund Balances - Ending	\$ 609,472	\$ 415,191	\$ -	\$ 1,624,129	\$ 256,704	\$ 2,915,747

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

Exhibit D-1

Amounts reported for governmental activities in the statement of activities are different because:
Net change in fund balances - total governmental funds \$ (948,396)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 850,582

This is the amount of assets transferred to proprietary fund (202,500)

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. 349,874

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. (9,091)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required in the Statement of Activities using the full-accrual basis of accounting. 3,372

Some expenses reported in the Statement of Activities in prior years were paid from current financial resources and, therefore, were reported as current expenditures in governmental funds. This is the amount of decrease in claims and judgments. 922,776

Change in Net Assets of Governmental Activities \$ 966,617

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

CITY OF PETAL
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2005

Exhibit E

ASSETS	Business-type Activities - Enterprise funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
Cash and cash equivalents	\$ 206,405	\$ 99,590	\$ 305,995
Customer receivables, net of allowance	65,195	57,321	122,516
Unbilled income	24,254	10,629	34,883
Due from other funds	-	5,249	5,249
Other receivables	1,960	1,218	3,178
Inventory, at cost	10,000	-	10,000
Restricted Assets			
Cash Bond Reserves	126,059	-	126,059
Customer deposits	183,420	-	183,420
Capital assets, net	3,249,500	-	3,249,500
Capitalized interest and bond costs (net)	21,576	-	21,576
Total Assets	\$ 3,888,360	\$ 174,007	\$4,062,376
LIABILITIES			
Accounts Payable	\$ 34,539	\$ 28,127	\$ 62,666
Due to other funds	5,484	20,000	25,484
Other payables	787	-	787
Customer deposits	144,786	-	144,786
Compensated absences	4,089	-	4,089
Noncurrent liabilities:			
Capital related debt due within one year	101,130	-	101,130
Capital related debt due in more than one year	693,892	-	693,892
Total Liabilities	984,707	48,127	1,032,834
NET ASSETS			
Invested in capital assets, net of related debt	2,454,478	-	2,454,478
Restricted for debt covenants	126,059	-	126,059
Unrestricted	323,125	125,880	449,005
Total Net Assets	2,903,662	125,880	3,029,542
Total Liabilities and Net Assets	\$ 3,888,360	\$ 174,007	\$4,062,376

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

CITY OF PETAL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR YEARS ENDED SEPTEMBER 30, 2005

Exhibit F

Operating revenues:	Business-type Activities - Enterprise funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
Charges for services	\$ 824,180	\$ 460,498	\$ 1,284,678
Tap fees	11,187	-	11,187
Connect fees	19,533	-	19,533
Sewer treatment charges	96,426	-	96,426
	<u>951,326</u>	<u>460,498</u>	<u>1,411,824</u>
Operating expenses:			
Personal services	346,917	2,844	349,761
Supplies and materials	87,743	20	87,763
Other services and charges	292,695	346,198	638,893
Capital repairs	3,530	-	3,530
Depreciation	201,142	-	201,142
Total operating expenses	932,027	349,062	1,281,089
Operating income (loss)	19,299	111,436	130,735
Other sources (uses)			
Operating transfers in	574,492	-	574,492
Investment earnings	5,522	104	5,626
Interest expense	(51,229)	-	(51,229)
Contributed from bond fund	202,500	-	202,500
Operating transfers out	(150,000)	-	(150,000)
	<u>581,285</u>	<u>104</u>	<u>581,389</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	600,584	111,540	712,124
Total net assets - beginning	2,303,078	14,340	2,317,418
Total net assets - ending	\$ 2,903,662	\$ 125,880	\$3,029,542

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

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2005

CITY OF PETAL
MINUTE BOOK 26

CITY OF PETAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2005 148

Exhibit G

EXHIBIT "D" Exhibit G (continued)

	Water and Sewer Fund	Solid Waste Fund	Total
Cash flow from operating activities:			
Cash received from customers (excluding deposits)	\$ 944,102	\$ 430,503	\$ 1,374,607
Cash paid to suppliers	(338,593)	(350,373)	(688,966)
Cash paid to employees	(358,343)	(2,859)	(361,202)
Net cash provided (used) by operating activities	247,166	77,271	324,437
Cash flow from non-capital financing activities:			
Operating transfers out	(150,000)	-	(150,000)
Net cash provided by non-capital financing activities	(150,000)	-	(150,000)
Cash flow from capital and related financing activities:			
Principal paid on bonds	(55,000)	-	(55,000)
Principal paid on notes	(88,066)	-	(88,066)
Interest paid	(51,229)	-	(51,229)
Net cash flows provided (used) by capital and related financing activities	(194,895)	-	(194,895)
Cash flow from investing activities:			
Purchase of fixed assets	(20,855)	-	(20,855)
Interest received	5,522	103	5,625
Net cash flows provided (used) by investing activities	(15,333)	103	(15,230)
Net increase (decrease) in cash for the year	(113,062)	77,376	(35,686)
Cash and restricted cash - October 1, 2004	628,946	22,214	651,160
Cash and restricted cash - September 30, 2005	\$ 515,884	\$ 99,590	\$ 615,474

	Water and Sewer Fund	Solid Waste Fund	Total
Operating income (loss)	\$ 19,299	\$ 111,436	\$ 130,735
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	201,142	-	201,142
Other nonoperating revenue	(5,997)	(31,210)	(37,207)
(Increase) decrease in accounts receivable	5,541	-	5,541
(Increase) decrease in prepaid assets	27,342	-	27,342
Increase (decrease) in other liabilities	-	-	-
Increase (decrease) in accounts payable	(181)	(2,953)	(3,134)
Net cash provided by operating activities	\$ 247,166	\$ 77,271	\$ 324,437
Other Required Disclosures:			
Interest expense	\$ 51,229	\$ -	\$ 51,229

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

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

CITY OF PETAL
STATEMENT OF NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2005

CITY OF PETAL

Exhibit H

	Agency Funds
ASSETS	
Cash	\$ 19,963
Total Assets	\$ 19,963
LIABILITIES	
Assets held for others	\$ 19,963

NOTES TO FINANCIAL STATEMENTS

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

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

A. FINANCIAL 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 not-for-profit entity formed to finance the construction of a multi-purpose center to be leased to the City. 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, Area Development Partnership, Pine Belt Regional Waste Authority, Petal Volunteer Fire Department, and Petal Police Auxiliary.

B. BASIS OF PRESENTATION

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

Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

EXHIBIT "D"

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

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.

1.2 Million Bond Construction Fund - This fund accounts for the construction proceeds of the Series 2001 General Obligation Bond. A portion of that bond issuance provided the 20% local match for a \$2.5 million dollar U.S. Department of Transportation Highway Planning and Construction (Federal-Aid Highway Project) Surface Transportation Program grant to reconstruct South Main Street.

2.5 Million Bond Construction Fund - This fund accounts for the construction proceeds of the Series 2005 General Obligation Bond.

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 district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Enterprise Fund and of the City's Solid Waste Enterprise Fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. ACCOUNT CLASSIFICATION

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

E. ENCUMBRANCES

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

F. CASH AND CASH EQUIVALENTS

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

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

G. INVESTMENTS

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

EXHIBIT "D"

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

H. RECEIVABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as with "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund 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 uncollectables. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables.

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

I. 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.

J. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

K. 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

Asset	Years
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

L. 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 \$33,550 for accumulated unpaid personal leave is reported as a liability in the City's Statement of Net Assets. 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.

M. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the

EXHIBIT "D" NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

EQUITY CLASSIFICATIONS

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Following is a description of fund designation used by the City:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

	<u>2004-2005</u>
<u>City of Petal</u>	
General Fund	27.12
1.2 M GO Bond Debt Service	2.50
2.5 M GO Bond Debt Service	3.53
Library	1.50
	<u>Total City Mills 34.65</u>
<u>Petal Municipal Separate School District</u>	
District Maintenance	55.00
School Building Program	2.11
Revenue Shortfall	0.62
	<u>Total School District Mills 57.73</u>

P. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

Q. INTERGOVERNMENTAL REVENUES IN GOVERNMENTAL FUNDS

Intergovernmental revenues, consisting of grants, entitlements and shared revenues are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or because

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

O. 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 in September, levies property taxes for the ensuing fiscal year which begins October 1. Property taxes become a lien on January 1 of the current year, and are due on or before February 1. 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 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 advalorem and a 0.5% fee for real and personal property advalorem 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 mileage rates levied were:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

R. USE OF ESTIMATES

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

NOTE 2- CASH AND CASH EQUIVALENTS, AND INVESTMENTS

CASH AND CASH EQUIVALENTS

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

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

The carrying amount of the City's deposits with financial institutions was \$3,669,375, and the bank balance was \$3,917,558.

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

NOTE 3- ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT (cont)

	General	Water & Sewer Enterprise	Solid Waste Enterprise	Total
Receivables:				
Accounts	\$ 74,524	\$ 91,849	\$ 67,950	\$ 234,323
Court Fine Receivable	1,102,389	-	-	1,102,389
Other Receivable	21,678	1,900	1,218	24,856
Intergovernmental	120,964	-	-	120,964
Gross Receivables	1,319,555	93,809	69,168	1,482,532
Less: allowance for uncollectibles	(11,093,092)	(2,400)	-	(11,095,492)
Total net receivables	\$ 1,208,463	\$ 91,409	\$ 69,168	\$ 1,369,040

NOTE 4- INTER-FUND TRANSACTIONS AND BALANCES

Timing differences between the payments of expenses for other funds and the subsequent reimbursements are reflected in the inter-fund accounts. The following is a summary of inter-fund balances as of September 30, 2005:

Due to from other funds	Payable Fund	Amount
Receivable fund		
General Fund	Solid Waste Enterprise Fund	\$ 20,000
	Water and Sewer Enterprise Fund	255
Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund	5,249
Total		\$ 25,484

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

NOTE 4- INTER-FUND TRANSACTIONS AND BALANCES (cont)

Transfers In/Out		Amount
Transfers In	Transfers Out	
Major Fund:		
2.5 Construction Fund	General Fund	\$ 100,000
2.5 Construction Fund	Water & Sewer Fund	150,000
Nonmajor Governmental Funds	General Fund	123,004
Water & Sewer Fund	2.5 Construction fund	574,492
		\$ 947,496

NOTE 5- CAPITAL ASSETS

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

Year Ended 9/30/2005	Balance 9/30/2004	Adjustments	Additions	Disposals	Balance 9/30/2005
Capital assets not being depreciated					
Land and easements	\$ 248,437	-	-	-	\$ 248,437
Construction in Progress	1,819,796	-	-	-	1,819,796
Total assets not being depreciated	2,068,233	-	-	-	2,068,233
Capital assets being depreciated					
Buildings	762,647	-	221,731	-	984,378
Equipment	264,900	-	-	-	264,900
Office & Other Equipment	162,962	-	62,313	-	225,275
Motor Vehicles	729,499	-	13,708	-	743,207
Other Equipment	123,724	-	78,335	-	202,059
Intangibles	6,964,734	(262,500)	2,468,813	-	9,171,047
Assets held under capital lease	982,239	-	-	-	982,239
Total assets being depreciated	9,028,765	(262,500)	3,087,167	-	11,853,432
Total assets at month end	11,097,000	(262,500)	3,087,167	(1,859,796)	12,061,871
Less accumulated depreciation					
Buildings	(234,173)	-	(21,328)	-	(255,501)
Equipment	(163,800)	-	-	-	(163,800)
Office & Other Equipment	(62,367)	-	(23,969)	-	(86,336)
Motor Vehicles	(297,979)	-	(44,000)	-	(341,979)
Other Equipment	(87,379)	-	(11,449)	-	(98,828)
Intangibles	(1,311,639)	-	(262,806)	-	(1,574,445)
Assets held under capital lease	(172,263)	-	(67,432)	-	(239,695)
Total accumulated depreciation	(2,432,391)	-	(330,774)	-	(2,763,165)
Governmental activities capital assets net	\$ 8,664,609	\$ (262,500)	\$ 2,756,393	\$ (1,859,796)	\$ 9,298,706

NOTE 5- CAPITAL ASSETS (cont)

Depreciation expense was charged to the following governmental functions:

Depreciation expense was charged to governmental functions as follows:		
General government	\$ 2,572	
Public Safety	111,760	
Public Works, which includes the depreciation of general infrastructure assets	238,531	
Culture and Recreation	22,896	
Total governmental activities depreciation expense	\$ 376,759	

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

Year Ended 9/30/2005	Balance 9/30/2004	Adjustments	Additions	Disposals	Balance 9/30/2005
Water and Sewer					
Land and easements	\$ 21,993	-	-	-	\$ 21,993
Capital assets being depreciated					
Buildings	79,919	-	374,962	-	454,881
Water & Sewer Equipment	10,333,810	-	26,813	-	10,360,623
Operating Equipment	387,129	-	30,813	-	417,942
Total assets being depreciated	11,411,868	-	392,588	-	11,804,456
Assets held under capital lease	15,434,888	-	302,500	-	15,737,388
Total assets at month end	26,846,749	-	695,090	-	27,541,839
Less accumulated depreciation					
Buildings	(1,249)	-	(4,773)	-	(6,022)
Water & Sewer Equipment	(8,128,960)	-	(12,069)	-	(8,141,029)
Operating Equipment	(133,846)	-	(23,361)	-	(157,207)
Total accumulated depreciation	(8,262,815)	-	(39,903)	-	(8,302,718)
Water and Sewer capital assets net	18,583,934	-	655,187	-	19,239,121
Capital assets being depreciated and operating equipment	4,884	-	-	-	4,884
Assets held under capital lease	15,732,457	-	302,500	-	16,034,957
Operating Equipment	(1,249)	-	-	-	(1,249)
Water and Sewer capital assets net	15,731,208	-	302,500	-	16,033,708
Total business-type activities	\$ 3,512,861	\$ 302,500	\$ 3,057,687	\$ -	\$ 6,873,048

Depreciation expense charged to the business-type activities totaled \$197,747.

Adjustments: All previously reported assets below the State suggested threshold amounts have been deleted for financial statement reporting purposes.

NOTE 6- CAPITAL LEASES

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

Classes of Property	Governmental Activity
Mobile Equipment	\$ 302,291
Mobile Equipment - Fire Truck	179,748
Total	482,039
Less: Accumulated depreciation	(157,264)
Property under capital lease	\$ 324,775

The following is a schedule by years of the total payments due as of September 30, 2005:

Year Ending September 30,	Governmental activities
	Principal Interest
2006	74,504 4,347
2007	70,086 2,173
	\$ 144,590 6,520

NOTE 7- LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The City issues general bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$3,700,000.

General Obligation Bonds are direct obligations issued on a pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds.

NOTE 7- LONG-TERM LIABILITIES (cont)

REVENUE BONDS

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond covenants. The covenants provide that the revenue of the system is to be used first to pay operating and maintenance expense of the system and second to establish and maintain the Revenue Bond accounts. Remaining revenues may be used for any lawful purpose. The City is in compliance with all significant financial requirements as of September 30, 2005.

TAX INCREMENT FINANCING (TIF) BONDS

TIF Bonds are used by the City to encourage economic development in a defined area by providing the necessary infrastructure for a development project. The City pledged the increased real and property taxes from the project and, Forrest County pledged the increased real taxes on the project, for payment of interest and principal on the bonds. The City does not pledge the full faith and credit of the City to repay the TIF bonds. The City is not obligated to repay the debt if the tax increment is insufficient to make the annual payment. These bonds carry a higher interest rate due to the risk of economic downturn or limited revenue growth in the defined TIF area. The City issued one \$600,000 TIF Bond in 2002.

STATE LOANS

The City made a Sewer Abatement Loan through the state that has a total outstanding balance of \$4,109. This loan is secured solely by a special pledge of the City's sales tax revenues.

In 1995, the City made an \$807,757 loan through the State Water Pollution Control Revolving Loan Fund (SRF), which is 80% federally funded. The outstanding balance is \$465,965. This loan is secured solely by a special pledge of the City's sales tax revenues. Federal reporting regulations require the disclosure of the amount of federal loans on the Schedule of Federal Expenditures, therefore 80%, \$372,772, is disclosed on the Schedule of Federal Expenditures.

EXHIBIT "D" NOTE 7- LONG-TERM LIABILITIES (cont)

CERTIFICATES OF PARTICIPATION

As discussed in Note 1, the City's blended component unit, the Petal Public Improvement Corporation, issued \$550,000 Certificates of Participation in 1994 to finance the construction of a multi-purpose center to be leased to the City. The outstanding balance is \$155,000. The Certificates of Participation are secured by the asset being leased and are subject to annual appropriation by the Board of Aldermen.

OTHER LOANS

The City may borrow for any purpose for which Bonds, Notes, or Certificates of Indebtedness are authorized by law (Small Issue Authority), provided the total indebtedness incurred under this authority does not exceed the greater of one percent of the assessed value or \$250,000. These loans are included in computing the statutory limitation upon indebtedness. The rate of interest on these loans may not exceed eleven percent and the loans must be repaid within five years. The outstanding balance of the two loans issued by the City is \$16,400.

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 7- LONG-TERM LIABILITIES (cont)

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

	Balance 10/1/2004	Additions	Deletions	Balance 9/30/2005	Amount Due Within One Year
GENERAL OBLIGATION BONDS					
\$2.5M G.O. Bonds, series 2004 4.0%-5.0%, matures 2024	\$ 2,500,000	\$ -	\$ (75,000)	\$ 2,425,000	\$ 80,000
\$1.2M G.O. Bonds, series 2001 5.20%-5.50%, matures 2018	\$ 1,025,000	\$ -	\$ (65,000)	\$ 960,000	\$ 70,000
	\$ 3,525,000	\$ -	\$ (140,000)	\$ 3,385,000	\$ 150,000
NEGOTIABLE NOTE					
\$82,000 Recreation Bldg. neg. note 5.28%, matures 2008	\$ 32,800	\$ -	\$ (16,400)	\$ 16,400	\$ 16,400
CERTIFICATES OF PARTICIPATION					
\$550,000 Civic Center, certificates 5.60%-8.00%, matures 2008	\$ 290,000	\$ -	\$ (45,000)	\$ 245,000	\$ 50,000
LIMITED OBLIGATION BONDS					
\$600,000 Tax Increment L.O. Bonds Series 2002, 3.9%-4.75%, matures 2013	\$ 600,000	\$ -	\$ (60,000)	\$ 540,000	\$ 50,000
CAPITAL LEASES					
Fire Truck Capital Lease 4.72%, matures 2005	\$ 11,053	\$ -	\$ (11,053)	\$ -	\$ -
Police Vehicle Capital Lease 3.79%, matures 2005	\$ 6,271	\$ -	\$ (6,271)	\$ -	\$ -
Police Vehicle Capital Lease 4.09%, matures 2006	\$ 21,740	\$ -	\$ (15,219)	\$ 6,525	\$ 6,525
Police Vehicle Capital Lease 5.0%, matures 2007	\$ 204,000	\$ -	\$ (55,932)	\$ 148,068	\$ 87,978
	\$ 243,064	\$ -	\$ (88,474)	\$ 154,590	\$ 74,504
TOTAL GOVERNMENTAL PURPOSE DEBT	\$ 4,800,854	\$ -	\$ (349,874)	\$ 4,450,980	\$ 340,904

CITY OF PETAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 7- LONG-TERM LIABILITIES (cont)

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

	Balance 10/1/2004	Additions	Deletions	Balance 9/30/2005	Amount Due Within One Year
REVENUE BONDS					
\$825,000 Water & Sewer, Series 1990 7.0%-7.2% Interest, matures 2010	\$ 380,000	\$ -	\$ (55,000)	\$ 325,000	\$ 55,000
OTHER LOANS					
Sewer Abatement Loan	\$ 25,000	\$ -	\$ (20,891)	\$ 4,109	\$ 4,109
\$138,000 sewer loan	\$ 27,600	\$ -	\$ (27,600)	\$ -	\$ -
\$807,757 State Revolving Loan 5.78% Interest, matures 2014	\$ 506,140	\$ -	\$ (40,175)	\$ 465,965	\$ 42,021
	\$ 568,740	\$ -	\$ (88,667)	\$ 480,073	\$ 48,130
BUSINESS-TYPE ACTIVITY DEBT	\$ 938,740	\$ -	\$ (143,667)	\$ 795,073	\$ 101,130

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

Governmental Activities:

	General Obligation Bonds	
	Principle	Interest
2006	150,000	154,262
2007	155,000	146,762
2008	165,000	139,224
2009	170,000	131,199
2010	180,000	123,349
2011-2015	805,000	412,210
2016-2020	900,000	313,488
2021-2024	860,000	128,181
	3,385,000	1,548,875

NOTE 7- LONG-TERM LIABILITIES (cont)

Negotiable Notes		
	Principle	Interest
2006	16,400	867
2007	-	-
2008	-	-
2009	-	-
2010-2014	-	-
	<u>16,400</u>	<u>867</u>

Limited Obligation - Governmental		
	Principle	Interest
2006	50,000	20,975
2007	50,000	19,225
2008	55,000	17,387
2009	60,000	15,375
2010	80,000	13,200
2011-2014	275,000	25,787
	<u>550,000</u>	<u>111,949</u>

Certificates of Participation		
	Principle	Interest
2006	50,000	8,350
2007	50,000	5,175
2008	55,000	1,787
2009	-	-
2010-2014	-	-
	<u>155,000</u>	<u>15,312</u>

EXHIBIT "D"

NOTE 7- LONG-TERM LIABILITIES (cont)

Business Type Activities:

WATER & SEWER REVENUE BONDS		
	Principle	Interest
2006	55,000	21,240
2007	60,000	17,185
2008	65,000	12,747
2009	70,000	7,920
2010	75,000	3,540
	<u>325,000</u>	<u>62,632</u>

OTHER LOANS		
	Principle	Interest
2006	20,509	-
2007	-	-
2008	-	-
2009	-	-
	<u>20,509</u>	-

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 8-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

NOTE 8-LIMITATIONS ON INDEBTEDNESS (cont)

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 municipality-owned utility, or to bonds issued by any municipality under the provisions of Section 57-1-1 through 57-1-51 or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53, or to any indebtedness incurred under Section 55-23-8.

The following is a schedule of limitations on the indebtedness of the City at September 30, 2005:

Authorized Debt Limit	15 Percent	20 Percent
Assessed valuation of fiscal year ended September 30, 2005 (\$57,781,649)	8,667,247	11,556,330
Present debt subject to 15% limitation	(3,385,000)	
Present debt subject to 20% limitation including debt subject to 15% limitation		(3,556,400)
Margin for further debt under respective debt limits	<u>5,282,247</u>	<u>7,999,930</u>

NOTE 9-DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION The City contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits,

NOTE 9-DEFINED BENEFIT PENSION PLAN (cont)

annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of 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 Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

FUNDING POLICY PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 10.75% 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, 2005, 2004 and 2003 were \$219,449, \$185,674 and \$165,681, respectively, which equaled the required contributions for each year.

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.

LITIGATION

According to the City Attorney, the claims against the City at September 30, 2005 will be covered by insurance.

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.

NOTE 11-RISK MANAGEMENT (cont)

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.

NOTE 12-COMMITMENTS AND CONTINGENCIES

On August 29, 2005 Hurricane Katrina passed through the State of Mississippi. The City of Petal suffered significant damage to its property, buildings and infrastructure as a result of this hurricane. As of the date of this report the City has expended over \$5,000,000 of which it has been reimbursed \$1,608,223 from FEMA and \$208,013 from its insurance carrier. The City still has applications for reimbursement pending with FEMA and its insurance carrier and expects its damages to be covered. However, the City's uncovered losses can not be determined at this time.

EXHIBIT "D"

NOTE 13-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 14-SUBSEQUENT EVENTS

The city has issued \$5,000,000 in general obligation bonds for infrastructure and equipment and \$15,000,000 in water and sewer revenue bonds for expansion and repair of existing system. Some contracts have been let for these projects however, they are expected to take several years for completion.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PETAL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 1,400,000	\$ 1,845,061	\$ 1,624,616	\$ 245,061	\$ (20,445)
License and permits	413,000	429,000	440,800	18,000	11,800
Intergovernmental revenues	1,367,000	1,519,500	1,503,934	152,500	(15,566)
Charges for services	18,000	22,200	17,647	3,200	(4,553)
Fines and forfeitures	286,000	366,000	352,863	70,000	(13,107)
Miscellaneous	121,800	184,226	186,017	62,426	3,791
TOTAL REVENUES	3,606,800	4,155,987	4,127,907	549,187	(26,080)
EXPENDITURES					
General government	618,886	468,670	684,820	150,316	(215,950)
Court	-	309,045	295,305	(309,045)	13,740
Public safety	2,045,772	2,121,179	2,310,371	(75,407)	(189,192)
Public works	842,455	684,857	659,603	(42,402)	15,254
Culture & recreation	292,929	339,578	345,108	(46,649)	(5,530)
Debt service:					
Principal	70,000	71,558	71,558	(1,558)	-
Interest	15,360	13,802	13,810	1,558	(8)
TOTAL EXPENDITURES	3,685,902	4,008,689	4,390,375	(323,187)	(361,686)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(78,702)	147,298	(262,468)	872,374	(409,766)
Other Financing Sources (Uses)		(226,000)	(155,000)	(226,000)	71,000
NET CHANGE IN FUND BALANCE	\$ (78,702)	\$ (78,702)	(417,468)	\$ 646,374	\$ (338,766)
Adjustments to GAAP Basis					
Revenue Accruals				(151,482)	
Expense Accruals				189,179	
NET CHANGE IN FUND BALANCE - GAAP BASIS				(378,775)	
FUND BALANCE-BEGINNING				965,247	
FUND BALANCE-ENDING				\$ 586,472	

BUDGETARY COMPARISON SCHEDULE

EXHIBIT "D"

- 1) Basis of Presentation. The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP 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." Because Capital Projects funds do not have legally binding budgets, two of the major governmental funds budgetary comparisons are not presented.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF PETAL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**CITY OF PETAL
 OTHER SUPPLEMENTAL INFORMATION
 SEPTEMBER 30, 2005**

NOTES TO SCHEDULE OF FEDERAL EXPENDITURES

This Schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

The balance outstanding at September 30, 2005, of the loan received in a previous fiscal year under former CFDA #66-458 (1995 SRF-C280770-01-2) through the state water pollution control revolving fund is \$506,140. 80% of the loan was federally funded, 80% of the outstanding balance is \$404,912. There are no continuing federal legal compliance requirements for this loan therefore it is not reported in the schedule of federal expenditures.

Federal Grant/ Pass-through Grant/ Program Title	Category of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Transportation - Federal Highway Administration		
Passed through Mississippi Department of Transportation		
Local Surface Transportation Program - Utility Retention	20-203	\$ 748,372
U.S. Department of Justice - Office of Justice Programs		
Passed through Mississippi Department of Public Safety		
Byrne Formula Grant - Multijurisdictional Narcotics Task Force Program	18-374	23,348
Local Law Enforcement Block Grant	18-342	1,806
Total		29,108
U.S. Department of Education - Student Health Care Administration		
Passed through Mississippi Department of Public Safety		
State and Community Highway Safety - Safe Communities	20-600	\$ 8,736
U.S. Department of Homeland Security		
Assistance to Firefighters Grant	97-044	2,722
Passed through Mississippi Emergency Management Agency		
Public Assistance Grants	97-028	2,156
Public Assistance Grants	97-028	223,006
Local U.S. Department of Homeland Security		263,021
Total for All Federal Awards		\$ 1,049,362

EXHIBIT "D"

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)

Name	Position	Company	Bond
Carl Scott	Mayor	Scott Municipal Insurance	\$50,000
David Clayton	Alderman	Scott Municipal Insurance	\$30,000
Way Fairley	Alderman	Scott Municipal Insurance	\$30,000
James Moore	Alderman	Scott Municipal Insurance	\$30,000
Steve Stringer	Alderman	Scott Municipal Insurance	\$30,000
Liesa Weaver	Alderman	Scott Municipal Insurance	\$30,000
Jean Ishee	City Clerk	USF&G	\$50,000
Lee Shelbourn	Police Chief	USF&G	\$50,000
Blanket Bond	Various	USF&G	\$10,000

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

American Institute of Certified Public Accountants **King CPA, PLLC** Mississippi Society of Certified Public Accountants
 206 Hwy 42 P.O. Box 1182
 Petal, MS 39465
 Telephone 601-544-9795...Fax 601-544-9793

June 1, 2006

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Petal as of and for the year ended September 30, 2005, and have issued our report thereon dated June 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the city's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the city's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2005-1.

Report on Compliance and Internal Control
 Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

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

King CPA, PLLC
 King CPA, PLLC

EXHIBIT "D"

In our opinion, City of Petal complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the City of Petal is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the city's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the city board of aldermen and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi

June 1, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Petal with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The city's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the city's management. Our responsibility is to express an opinion on the city's compliance based on our audit.

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 the city'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. Our audit does not provide a legal determination on the city's compliance with those requirements.

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June 1, 2006

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the basic financial statements of the City of Petal, Mississippi as of and for the year ended September 30, 2005 and have issued our report thereon dated June 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of management and the Board of Aldermen. However, this report is a matter of public record and its distribution is not limited.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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EXHIBIT "D"
Section 1: Summary of Auditor's Results

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements:		
1. Type of auditor's report issued on the financial statements:		Unqualified
2. Material noncompliance relating to the financial statements?		No
3. Internal control over the financial reporting:		
a) Material weakness identified?		No
b) Reportable condition identified that is not considered to be a material weakness?		Yes
Federal Awards:		
4. Type of auditor's report issued on compliance for major federal programs:		Unqualified
5. Internal control over major programs:		
a) Material weakness identified?		No
b) Reportable condition identified that is not considered to be material weakness?		No
6. Any finding reported as required by Section .510(a) of Circular A-133?		No
7. Federal programs identified as major programs:		
a) Local Surface Transportation Program		CFDA# 20.205
8. The dollar threshold used to distinguish between the A and type B programs:		\$300,000
9. Auditee qualified as a low-risk auditee?		No
10. Prior year audit finding 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

CITY OF PETAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Section 2: Financial Statement Findings

Finding 2005-1

The city's monitoring and review policies and procedures covering the various city departments are not sufficient to ensure proper accounting and reporting of transactions and safeguarding of city assets. These policies and procedures are the responsibility of the Mayor, Board of Aldermen and City Clerk.

Recommendation

We recommend the City review its current monitoring policies and procedures and implement necessary procedures with all departments to ensure proper accounting and reporting of transactions and safeguarding of assets.

Response

The City has begun an extensive review of its policies and procedures and has obtained the assistance of the State Auditor's Office to determine how to address its current deficiencies.

Section 3: Federal Award Findings and Questioned Costs

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

LESSEE - CITY OF PETAL - CITY HALL

DATE: 6/23/06

ADDRESS - 102 W. 8TH AVELESSOR: GILLILAND ELECTRONICS
72 INDUSTRIAL DR
HATTIESBURG, MS 39401

CITY - PETAL, MS 39465

EXHIBIT "E"

LESSOR HEREBY LEASES TO LESSEE THE FOLLOWING MERCHANDISE

MODEL #	MAKE AND DESCRIPTION	SERIAL #
1	PANEL	
2	KEYPADS	
8	MOTIONS	
	MONITORING	

DATE OF DELIVERY: 6/23/06

LESSEE AGREES TO PAY LESSOR AS RENTAL THE SUM OF \$135.00 EACH QUARTER IN ADVANCE, COMMENCING 23RD DAY OF JUNE, 2006, AND ON THE SAME DATE OF EACH QUARTER THEREAFTER DURING THE TERM OF HIS RENTAL AGREEMENT. ADDITIONAL CHARGE FOR RETURN CARTAGE WILL BE MADE IF RENTAL IS TERMINATED OR MERCHANDISE IS RETURNED BEFORE 65 MONTHS FROM DATE. ALL DELINQUENT RENTAL PAYMENTS SHALL BEAR INTEREST AT THE HIGHEST LAWFUL RATE UNTIL PAID FOLLOWING THE DURATION OF THE ORIGINAL TERM THIS AGREEMENT SHALL BE EXTENDED FROM YEAR TO YEAR UNTIL THIRTY DAYS WRITTEN NOTICE IS PROVIDED BY EITHER PARTY.

PAYMENTS RECEIVED:

1. INSTALLATION CHARGE: \$600.00
2. RENTAL FOR 3 MONTHS: \$135.00
3. TOTAL RECEIVED THIS DAY: \$735.00

LESSEE AGREES TO TERMS AND CONDITIONS SET FORTH ON PAGE 2 AND PAGE 3 LESSEE ACKNOWLEDGES RECEIPT OF AN EXECUTED COPY THEREOF

DEALER: GILLILAND ELECTRONICS
72 INDUSTRIAL DR
HATTIESBURG, MS 39401

LESSEE _____

BY: B. G. L. L. L.
LESSORBY _____
TITLE _____

1 LESSEE SHALL BE FULLY RESPONSIBLE FOR LOSS OF OR DAMAGE TO LEASED MERCHANDISE WHILE IN LESSEE'S POSSESSIONS.

2 LESSEE WARRANTS AND AGREES FOR THE TERM OF THIS AGREEMENT, (A) THAT THE MERCHANDISE SHALL BE KEPT AT LESSEE'S ADDRESS, AS SHOWN HEREIN, AND NOT REMOVED THEREFROM EXCEPT WITH THE PRIOR WRITTEN CONSENT OF LESSOR, (B) THAT THE MERCHANDISE SHALL BE MAINTAINED BY LESSEE IN GOOD CONDITION AS THAT IN WHICH IT IS RECEIVED FROM DEALER, ORDINARY WEAR AND TEAR EXCEPTED, AND (C) THAT NEITHER THE MERCHANDISE NOR LESSEE'S INTEREST THEREIN SHALL BE ASSIGNED, SOLD, LEASED, OR OTHERWISE DISPOSED OF, OR IN ANY WAY ENCUMBERED OR SUBJECT TO LEVY OR LIEN OF ANY KIND.

3 LESSEE AGREES TO PAY ALL TAXES ASSESSED ON OR WITH RESPECT TO THE MERCHANDISE ON THIS LEASE, AND TO KEEP THE MERCHANDISE INSURED, IN SUCH AMOUNTS, AGAINST SUCH HAZARDS AND WITH SUCH COMPANIES AS SHALL BE APPROVED BY LESSOR. THE PROCEEDS OF ALL SUCH POLICIES OF INSURANCE SHALL BE PAYABLE TO LESSOR.

4 IF THE MERCHANDISE IS TOTALLY DESTROYED BY FIRE OR OTHERWISE THIS LEASE SHALL TERMINATE UPON PAYMENT OF ALL INSURANCE PROCEEDS TO LESSOR. IN THE EVENT OF PARTIAL DESTRUCTION OR DAMAGE BY FIRE OR OTHERWISE, ALL INSURANCE PROCEEDS SHALL BE PAID TO LESSOR, WHICH MAY AT ITS OPTION (A) DECLARE THIS LEASE TO BE TERMINATED, OR (B) REPAIR OR REPLACE THE MERCHANDISE, THIS LEASE TO REMAIN IN FORCE, THE RENT ABATING UNTIL THE MERCHANDISE IS REPAIRED OR REPLACED.

5 LESSOR SHALL HAVE THE RIGHT AT ALL REASONABLE TIMES TO ENTER THE PREMISES WHERE THE MERCHANDISE IS LOCATED TO INSPECT, SERVICES OR REPAIR SAID MERCHANDISE.

6 NO EXTENSION GIVEN BY LESSOR OF THE TIME FOR PAYMENT OF ANY MONTHLY INSTALLMENT HEREUNDER, NO WAIVER BY LESSOR OF ANY DEFAULT OF LESSEE HEREUNDER, AND NO FAILURE OF LESSOR TO ENFORCE ITS RIGHTS AGAINST LESSEE FOR ANY BREACH OF THIS AGREEMENT SHALL BE CONSTRUED AS A WAIVER ON THE PART OF LESSOR OF ANY SUBSEQUENT BREACH OR DEFAULT, OR IMPAIR LESSOR'S RIGHT TO REQUIRE STRICT PERFORMANCE BY LESSEE OF ALL THE TERMS AND CONDITIONS STATED HEREIN.

7 IF ANYONE OR MORE OF THE FOLLOWING EVENTS OF DEFAULT OCCUR (A) IF ANY MONTHLY INSTALLMENT OF RENT HEREUNDER SHALL NOT BE PAID WHEN DUE, OR WITHIN 10 DAYS THEREAFTER, (B) TERMINATION PURSUANT TO PARAGRAPH 4. HEREOF, (C) IF LESSEE FAILS TO PERFORM ANY OTHER CONVENANT, PROMISE OR CONDITION HEREIN CONTAINED, (D) IF A BANKRUPTCY OR INSOLVENCY PROCEEDING IS COMMENCED BY OR AGAINST LESSEE OR IF A RECEIVER, TRUSTEE, CREDITOR'S COMMITTEE OR THE LIKE SHALL BE APPOINTED TO TAKE OR DEAL WITH THE PROPERTY OF LESSEE, (E) IF LESSEE OR HIS PROPERTY BECOMES SUBJECT TO WRIT OF ATTACHMENT, WRIT OF EXECUTION, JUDGMENT OR OTHER SIMILAR PROCESS, (F) IF LESSOR FOR ANY REASON SHALL IN GOOD FAITH DEEM ITSELF INSECURE, THEN LESSEE'S RIGHTS HEREUNDER SHALL FORTHWITH TERMINATE AND LESSEE SHALL MAKE THE MERCHANDISE AVAILABLE TO LESSOR. LESSOR MAY, IN ADDITION TO SUCH OTHER RIGHTS AND REMEDIES AS IT SHALL HAVE, ENTER UPON THE PREMISES WHERE THE MERCHANDISE IS LOCATED AND TAKE POSSESSION OF AND REMOVE THE SAME WITHOUT LEGAL PROCESS (BUT COMMITTING NO BREACH OF PEACE) RENT SHALL BE PAYABLE TO THE DATE OF TERMINATION AND THEREAFTER FOR ANY PERIOD DURING WHICH LESSOR IS PREVENTED FROM RECOVERING THE MERCHANDISE.

8 IF, AFTER DEFAULT, LESSOR SHALL EMPLOY AN ATTORNEY (NOT A REGULAR EMPLOYEE OF LESSOR) TO ENFORCE ITS RIGHTS UNDER THIS AGREEMENT, LESSEE AGREES, TO THE EXTENT ALLOWED BY THE LAW OF THE STATE IN WHICH THE ACTION IS BROUGHT, TO PAY, IN ADDITION TO ANY JUDGMENT RENDERED IN FAVOR OF LESSOR, COSTS OF ANY SUIT, COSTS OF REPOSSESSION OF THE MERCHANDISE, AND REASONABLE ATTORNEY'S FEES IN CONNECTION THEREWITH.

9 THIS AGREEMENT MAY BE MODIFIED ONLY BY A WRITING SIGNED BY THE PARTIES HERETO.

10 THIS CONTRACT IS THE ENTIRE AGREEMENT BETWEEN LESSOR AND LESSEE, AND NEITHER PARTY SHALL BE BOUND BY ANY PROMISE, AGREEMENT, OR UNDERSTANDING WHICH IS NOT SET FORTH HEREIN. THIS CONTRACT IS NOT BINDING ON LESSOR UNTIL ACCEPTED BY IT AT ITS HOME OFFICE.

EXHIBIT "F"

Those present and voting "NAY" or against the adoption of Sections I, II, III, IV,
& V of the foregoing Ordinance:

None

Those present and voting "AYE" and in favor of the adoption of the foregoing

Ordinance as a whole:

- Alderman David Clayton
- Alderman Kay Fairley
- Alderman James Moore
- Alderman Steve Stringer
- Alderman Liesa Weaver

Those present and voting "NAY" or against the adoption of the foregoing

Ordinance as a whole:

None

WHEREUPON the foregoing Ordinance be and the same is hereby passed,

adopted and approved on this the 18th day of July, A.D., 2006.

(SEAL)

Carl Scott
Mayor

ATTEST:


Jean Ishee
City Clerk

ORDIN (3-B)

AN ORDINANCE AMENDING ORDINANCE 1974(2-B) FIXING
THE TIME AND PLACE OF THE MONTHLY MEETINGS
OF THE CITY COUNCIL

BE IT ORDAINED BY THE MAYOR AND BOARD OF ALDERMEN OF THE
CITY OF PETAL, MISSISSIPPI

SECTION I. Section 1 of Ordinance 1974(2-B) as passed and adopted on the 1st day of
November, 2005 be and the same is hereby amended to read as follows:

Section 1.

The Mayor and Board of Aldermen shall hold regular meeting on the first
Tuesday of each month in the Petal Board Room of City of Petal, Mississippi, said
meeting to begin at the hour of 7:00 P.M.

SECTION II. Section 2 of Ordinance 1974(2-B) as passed and adopted on the 1st
day of November, 2005 be and the same is hereby amended to read as follows:

Section 2.

The Mayor and Board of Aldermen shall hold a regular meeting on the 3^d
Tuesday of each month in the Petal Board Room, City of Petal, Mississippi, beginning at
the hour of 7:00 P.M.

SECTION III. All Ordinances in conflict herewith be and the same are hereby
repealed.

SECTION IV. Ordinance 1974(2-A) except as amended herein be and the same
are still in full force and effect.

SECTION V. This Ordinance amending Ordinance 1974 (2-B) be and the same
shall be and in effect from and after 30 days from this date.

The foregoing Ordinance having been reduced to writing, the same was
introduced and read and a vote was taken thereon, first section by section and then upon
the foregoing Ordinance as a whole with the following results:

Those present and voting "AYE" and in favor of the passage, adoption and
approval of sections I, II, III, IV & V of the foregoing Ordinance:

- Alderman David Clayton
- Alderman Kay Fairley
- Alderman James Moore
- Alderman Steve Stringer
- Alderman Liesa Weaver

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