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CITY OF FLOWOOD, MISSISSIPPI
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
SEPTEMBER 30, 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Honorable Mayor and Aldermen
City of Flowood
Flowood, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flowood, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 11, 2009, on our consideration of the City of Flowood, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 55 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowood, Mississippi's basic financial statements. The combining fund financial statements and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 11, 2009

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

Our discussion and analysis of the City of Flowood's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 15 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

- The net assets of the City increased by \$3,533,978 (\$7,341,247 increase in 2007) as a result of this year's operations. Factors contributing to the increase were sustained levels of general revenue received by the City and an increase in the net assets of the City's Water and Sewer Enterprise Fund.
- The City's General Fund realized a slight increase in total revenue compared to the prior year (\$14,088,369 in 2008 compared to \$13,879,942 in 2007). Total expenditures also reflected an increase (\$12,397,008 in 2008 compared to \$11,038,952 in 2007). Licenses and permits reflected the largest increase in revenues during the year (\$552,819 in 2008 compared to \$353,303 in 2007.)

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Flowood as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities (on pages 15 and 16) provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?". The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets for the 2008 fiscal year and changes in them. The City's net assets - the difference between assets and liabilities - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, non-financial information, such as changes in the City's tax base and the condition of the City's capital assets, will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- **General Governmental Activities** - Most of the City's basic services are reported here including police, fire, sanitation, public property, parks and recreation, and general administration. Property taxes, sales taxes, police fines and fees, and franchise fees finance most of these activities.
- **Business-Type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and municipal golf course are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 17. The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Based on restrictions on the use of monies, the City has established many funds

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

REPORTING THE CITY AS A WHOLE - CONTINUED:

which account for the multitude of services provided to the City's residents. Some funds are required to be established by State law, while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the individual funds, and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of Flowood considers the General Fund, Recreation and Tourism Special Tax Fund, City-Wide Debt Service, and the Bridge and Street Improvements to be major funds and, therefore, presents information on these funds separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from all other governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds - The City charges customers for certain services it provides. These services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information such as cash flows. The Internal Service Fund is utilized to report activities that provide services for the City's other programs and activities. Because these services benefit both governmental as well as business-type functions, their cost has been included in both the governmental and business-type activities in the government-wide financial statements.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

REPORTING THE CITY AS A WHOLE - CONTINUED:

The City of Flowood maintains two individual enterprise funds. The City uses enterprise funds to account for its water and sewer services and the operation of the municipal golf course. The proprietary fund financial statements provide separate information for the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund, both of which are considered to be major funds of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City acts as the trustee, or fiduciary, for the activity of the Airport Parkway Commission and the East Metro Corridor Commission. The activity of the Airport Parkway Commission and the East Metro Corridor Commission is reported in separate Statements of Fiduciary Net Assets. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

FINANCIAL ANALYSIS OF THE CITY

The Statement of Net Assets looks at the City as a whole. The City's combined net assets were \$99,266,765 and \$95,732,787 as of September 30, 2008 and 2007, respectively. **Table 1** provides a summary of the City's net assets.

**(Table 1)
Condensed Statement of Net Assets
At September 30, 2008 and 2007**

| | 2008 | | | 2007 | | |
|--------------------------|----------------------------|---------------------------------|--------------------------------|----------------------------|---------------------------------|--------------------------------|
| | Governmental Activities | Business- Type Activities | Total Primary Government | Governmental Activities | Business- Type Activities | Total Primary Government |
| Current and other assets | \$ 28,007,231 | 6,784,850 | 34,792,081 | 27,231,941 | 8,012,203 | 35,244,144 |
| Capital assets, net | <u>78,618,129</u> | <u>31,613,226</u> | <u>110,231,355</u> | <u>77,076,221</u> | <u>30,832,420</u> | <u>107,908,641</u> |
| Total assets | <u>106,625,360</u> | <u>38,398,076</u> | <u>145,023,436</u> | <u>104,308,162</u> | <u>38,844,623</u> | <u>143,152,785</u> |
| Current liabilities | 4,096,294 | 1,694,085 | 5,790,379 | 4,638,755 | 2,113,802 | 6,752,557 |
| Noncurrent liabilities | <u>27,108,697</u> | <u>12,857,595</u> | <u>39,966,292</u> | <u>27,360,869</u> | <u>13,306,572</u> | <u>40,667,441</u> |
| Total liabilities | <u>31,204,991</u> | <u>14,551,680</u> | <u>45,756,671</u> | <u>31,999,624</u> | <u>15,420,374</u> | <u>47,419,998</u> |

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 1)
Condensed Statement of Net Assets - Continued:
At September 30, 2008 and 2007**

| | 2008 | | | 2007 | | |
|---------------------------------------|------------------------------------|--|---|------------------------------------|--|---|
| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of | | | | | | |
| Debt | \$ 50,003,430 | 18,651,673 | 68,655,103 | 48,137,823 | 16,910,150 | 65,047,973 |
| Restricted: | | | | | | |
| Capital projects | (1,082,568) | - | (1,082,568) | 70,809 | - | 70,809 |
| Debt service | 11,294,544 | 174,357 | 11,468,901 | 10,612,141 | 246,688 | 10,858,829 |
| Unrestricted | <u>15,204,963</u> | <u>5,020,366</u> | <u>20,225,329</u> | <u>13,487,765</u> | <u>6,267,411</u> | <u>19,755,176</u> |
| Total net assets | <u>\$ 75,420,369</u> | <u>23,846,396</u> | <u>99,266,765</u> | <u>72,308,538</u> | <u>23,424,249</u> | <u>95,732,787</u> |

The largest portion of the City's net assets (69.16%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Changes in Net Assets for the years ended September 30, 2008 and 2007 are summarized in **Table 2**.

**(Table 2)
Condensed Statement of Changes in Net Assets**

| | September 30, 2008 | | | September 30, 2007 | | |
|-------------------------------------|------------------------------------|--|---|------------------------------------|--|---|
| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> |
| REVENUES: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,037,758 | 5,890,562 | 7,928,320 | 1,716,053 | 6,148,350 | 7,864,403 |
| Capital grants and contributions | 104,247 | - | 104,247 | 1,020,345 | 640,832 | 1,661,177 |
| Property taxes | 3,906,245 | - | 3,906,245 | 3,573,445 | - | 3,573,445 |

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 2) - Continued:
Condensed Statement of Changes in Net Assets**

| | September 30, 2008 | | | September 30, 2007 | | |
|--|----------------------------|---------------------------------|--------------------------------|----------------------------|---------------------------------|--------------------------------|
| | Governmental Activities | Business- Type Activities | Total Primary Government | Governmental Activities | Business- Type Activities | Total Primary Government |
| REVENUES - CONTINUED: | | | | | | |
| General revenues: | | | | | | |
| Sales tax | \$ 8,963,505 | - | 8,963,505 | 9,087,696 | - | 9,087,696 |
| Other | <u>3,923,287</u> | <u>196,689</u> | <u>4,119,976</u> | <u>4,623,606</u> | <u>240,130</u> | <u>4,863,736</u> |
| Total revenues | <u>18,935,042</u> | <u>6,087,251</u> | <u>25,022,293</u> | <u>20,021,145</u> | <u>7,029,312</u> | <u>27,050,457</u> |
| EXPENSES: | | | | | | |
| General government | 1,402,133 | - | 1,402,133 | 1,250,307 | - | 1,250,307 |
| Public safety | 7,423,605 | - | 7,423,605 | 6,337,946 | - | 6,337,946 |
| Court | 526,785 | - | 526,785 | 506,990 | - | 506,990 |
| Public property maintenance | 514,489 | - | 514,489 | 358,453 | - | 358,453 |
| Sanitation | 183,993 | - | 183,993 | 164,039 | - | 164,039 |
| Health | 54,673 | - | 54,673 | 36,125 | - | 36,125 |
| Street maintenance | 2,599,424 | - | 2,599,424 | 2,314,774 | - | 2,314,774 |
| Recreation | 698,298 | - | 698,298 | 597,262 | - | 597,262 |
| Shop and maintenance | 396,143 | - | 396,143 | 355,801 | - | 355,801 |
| Landscape | 249,095 | - | 249,095 | 199,309 | - | 199,309 |
| Community and economic development | - | - | - | 42,141 | - | 42,141 |
| Interest on long-term debt | 1,404,573 | - | 1,404,573 | 1,505,661 | - | 1,505,661 |
| Golf course | - | 1,297,283 | 1,297,283 | - | 1,292,259 | 1,292,259 |
| Water and sewer | - | <u>4,737,821</u> | <u>4,737,821</u> | - | <u>4,748,143</u> | <u>4,748,143</u> |
| Total expenses | <u>15,453,211</u> | <u>6,035,104</u> | <u>21,488,315</u> | <u>13,668,808</u> | <u>6,040,402</u> | <u>19,709,210</u> |
| INCREASE IN NET ASSETS BEFORE TRANSFERS | 3,481,831 | 52,147 | 3,533,978 | 6,352,337 | 988,910 | 7,341,247 |
| TRANSFERS | <u>(370,000)</u> | <u>370,000</u> | <u>-</u> | <u>(370,000)</u> | <u>370,000</u> | <u>-</u> |
| INCREASE IN NET ASSETS | 3,111,831 | 422,147 | 3,533,978 | 5,982,337 | 1,358,910 | 7,341,247 |
| NET ASSETS, BEGINNING OF YEAR | <u>72,308,538</u> | <u>23,424,249</u> | <u>95,732,787</u> | <u>66,326,201</u> | <u>22,065,339</u> | <u>88,391,540</u> |
| NET ASSETS, END OF YEAR | \$ <u>75,420,369</u> | <u>23,846,396</u> | <u>99,266,765</u> | <u>72,308,538</u> | <u>23,424,249</u> | <u>95,732,787</u> |

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities

Several revenue sources fund our governmental activities. The City's largest source of revenue was received from sales tax which accounted for \$8,963,505 or 47.3% of gross revenue; revenues from charges for services accounted for \$2,037,758 or 10.8% of gross revenues; and property taxes accounted for 3,906,245 or 20.6% of revenues. In addition, capital grants used primarily in the funding of various road and bridge construction projects amounted to \$104,247 or 0.06%.

The City of Flowood has been able to increase its sales tax collections in the last ten years by \$6,434,919 from gross collections in 1998 of \$2,528,586 to gross collections in 2008 of \$8,963,505. The majority of this increase is due to an aggressive economic development program and development of a booming retail and commercial district of the City, this being the Lakeland Drive (State Hwy 25) Development Corridor. Although much of this development has been accomplished through the use of property tax incentives (such as tax increment financing programs), the loss in property taxes collected has been more than offset by the increase in the sales tax collections.

Major expense activities include police and fire safety expenses accounting for 48.0% of the total program expenses, and street and public property maintenance accounting for 16.8%. The City of Flowood is committed to providing the best services possible for its citizens.

The City of Flowood has worked very hard to increase our property tax base and our sales tax collections by being proactive with new businesses in our City and reducing costs department by department. We continue to strive to provide better service at a lower cost per man-hour. The ability of the City to continue to provide quality services without increasing taxes rests on the City management's ability to keep these costs in line.

Business-Type Activities

Operating revenues of the City's business-type activities were \$5,890,562 and \$6,148,350 for the fiscal years ended September 30, 2008 and 2007, respectively. Expenses for the City's business-type activities were \$6,035,104 and \$6,040,402, resulting in operating income (loss) of \$(144,542) in 2008 and \$107,948 in 2007. Capital grants and contributions in the amount of \$0 were received in 2008 and the non-operating revenues (expenses), including transfers in, were \$566,689, resulting in an increase in net assets of \$422,147. Key operating results are detailed below:

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

- The City's Water and Sewer Enterprise Fund recorded charges for services of \$5,173,595 which reflects a 3.4% decrease from the prior year. The most significant expenses of the water and sewer enterprise fund were \$1,038,772 for salaries and benefits, \$1,815,061 for operating cost including sewage treatment and \$1,043,258 in depreciation expense.
- The Golf Course Enterprise Fund's revenue decreased from \$791,612 in 2007 to \$716,967 in 2008 (9.4% decrease), while operating expenses, excluding depreciation, increased from \$760,763 in 2007 to \$803,381 in 2008.

BUDGETARY HIGHLIGHTS

The City's budgets are prepared according to Mississippi law and are based on accounting for transactions on a modified cash basis. The most significant budgeted fund is the General Fund. During 2008, the City of Flowood amended its General Fund budget twice. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Aldermen for review before being amended by the Board of Aldermen at a regular monthly Board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the General Fund supporting many of our major activities, such as our police and fire departments as well as general government activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, final budgeted revenues for fiscal year 2008 were \$12,788,750 and actual revenue collections were \$14,189,010. The primary factors contributing to the increase of actual revenues over budgeted amounts were increased police fines and forfeits, ad valorem taxes and interest earned. General Fund operating expenditures were \$12,597,447 compared to budgeted amounts of \$13,669,985.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2008, the City had over \$110 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, road, bridges, water and sewer lines, and the municipal golf course facility. (See **Table 3** below.)

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**Table 3
Capital Assets at September 30, 2008 and 2007
(Net of Depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|--------------------|--------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Land | \$ 18,928,543 | 17,684,485 | 198,781 | 179,181 | 19,127,324 | 17,863,666 |
| Improvements other than buildings | 6,968,279 | 1,903,852 | - | - | 6,968,279 | 1,903,852 |
| Buildings | 6,011,238 | 6,122,161 | - | - | 6,011,238 | 6,122,161 |
| Machinery and equipment | 2,781,141 | 2,414,727 | 96,648 | 132,630 | 2,877,789 | 2,547,357 |
| Infrastructure | 42,196,971 | 41,467,244 | - | - | 42,196,971 | 41,467,244 |
| Construction in progress | 1,731,957 | 7,483,752 | 2,151,691 | 257,806 | 3,883,648 | 7,741,558 |
| Water and sewer system | - | - | 27,646,030 | 28,483,537 | 27,646,030 | 28,483,537 |
| Golf course | - | - | <u>1,520,077</u> | <u>1,779,266</u> | <u>1,520,077</u> | <u>1,779,266</u> |
| Total | <u>\$ 78,618,129</u> | <u>77,076,221</u> | <u>31,613,227</u> | <u>30,832,420</u> | <u>110,231,356</u> | <u>107,908,641</u> |

This year's major additions included:

| | |
|--|------------|
| Fire and rescue equipment | \$ 748,170 |
| New fire stations | 352,482 |
| YMCA ballfields project | 270,978 |
| Right-of-ways and preliminary cost - Highway 468 project | 1,623,412 |

The majority of infrastructure asset additions added in 2008 resulted from the development of retail and commercial developments along the Lakeland Drive - Highway 25 corridor.

Debt

At September 30, 2008 and 2007, the City of Flowood had \$42,464,740 and \$43,113,041, respectively, in outstanding debt from General Obligation Bonds, Revenue Bonds, Limited Obligation Bonds and Notes, Capital Lease Payable and Accrued Vacation. **Table 4** summarized the total outstanding long-term obligations of the City.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**Table 4
Outstanding Debt at September 30, 2008 and 2007**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| General obligation bonds | \$ 3,934,000 | 4,512,000 | - | - | 3,934,000 | 4,512,000 |
| Revenue bonds | - | - | 10,435,000 | 10,595,000 | 10,435,000 | 10,595,000 |
| Limited obligation bonds | 12,254,000 | 12,683,000 | - | - | 12,254,000 | 12,683,000 |
| Notes - Mississippi Development Bank | 12,347,487 | 11,588,013 | 3,089,138 | 3,327,270 | 15,436,625 | 14,915,283 |
| Capital leases payable | 79,212 | 155,385 | - | - | 79,212 | 155,385 |
| Compensated absences | <u>304,041</u> | <u>234,644</u> | <u>21,862</u> | <u>17,729</u> | <u>325,903</u> | <u>252,373</u> |
| Totals | \$ <u>28,918,740</u> | <u>29,173,042</u> | <u>13,546,000</u> | <u>13,939,999</u> | <u>42,464,740</u> | <u>43,113,041</u> |

During the current fiscal year, the City issued debt in the amount of \$5,715,032 for the following purposes:

| | |
|---|---------------------|
| Street projects and related infrastructure | \$ <u>1,460,032</u> |
| Refund and defease the balance outstanding on the series 1999 bonds (4,160,000) | <u>4,255,000</u> |

The City paid \$6,436,863 in principal on outstanding debt during the year.

The liability for compensated absences identified above refers to the current balance of what has been earned as a termination benefit that would be paid as employees leave or retire. Under GAAP reporting, this liability must be reported as a long-term liability at year-end, due to contract language to the effect that the employee has "earned" this compensation. The City budgets for this portion of the liability annually in the current year's departmental salary and wages budgets.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As is the case with many governmental agencies, dated infrastructure can be a problem; however, over the past fourteen years, the City has taken a proactive stance in regard to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises.

Annually, the City's engineer inspects roadways and suggests the worst for repair. Over the past fourteen years, the City has expended an average of \$200,000 to \$300,000 annually on various roadway maintenance resurfacing projects. The 2008 roadway maintenance program is estimated at \$200,000. Additionally, over the past ten years, the City has converted the last septic sanitary tank areas to sanitary sewer service. This development has been accomplished through the use of Federal EPA grant funding and a Mississippi Development Bank loan. The last fourteen years have seen the construction of a new City Hall, Police & Justice Court Complex, new Fire Station, two new City Parks and a full service Municipal Library.

The City has also funded the purchase of approximately \$2.5 million dollars of public safety and public property vehicles and equipment over the past seven years. Some of the items purchased include an average of six new police cruisers per year along with a variety of pickup trucks, vans, trucks, low pro dump trucks, and other road and non-road equipment for our service and recreation departments. The City purchased new fire rescue pumpers during both 2008 and 2007. New network computer systems for the City's police department, municipal court system, and main administrative operations were also purchased throughout this time period.

The continuation and expansion of the City's aggressive economic development programs, instituted in the late 1990's, is an integral part of the City's future plans and financial stability. To this extent, the City is concentrating on the Lakeland Drive (Hwy 25) Corridor which encompasses the City boundary line at the Pearl River Bridge east to the city limits. The residents of the City have been very receptive to this increased development within the City and have shown their acceptance through numerous rezoning issues placed before them throughout the early 2000's. The zoning districts that have been added to accomplish the City's economic development plans were PH1 & PH2 Residential Districts and Zoning accommodations for larger retail shopping mega centers, and a PUD planned urban district, along with a new Smart Code Overlay District.

New development and expansion is also continuing at the Lakeland Drive and Old Fannin Road intersection. On the southeast side of this intersection in 2001 and 2002, the City's economic development programs were responsible for the construction of a \$32,000,000 redevelopment project known as the Dogwood Festival Market Life Style Shopping Center. This Center encompasses approximately 297,000 square feet of retail shopping with seven out-parcels housing restaurants, a bank and an import store. On the northeast corner, another mega

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

retail shopping center, The Dogwood Promenade, was completed in late 2004 and 2005. The Lakeland Commons is located on the northwest corner of Lakeland Drive and Old Fannin Road and includes a home repair store and hotel, along with numerous national chain stores. A fourth center, known as Market Street Shopping Center, on the southwest corner of Lakeland Drive and Old Fannin Road is nearing completion. In addition, the City has plans to develop the Flowood Town Center which will consist of commercial, residential and governmental development.

With the addition of all these shopping centers, the City of Flowood must maintain and create better access routes into and out of the City. To this extent, the City has entered into a loan with the Mississippi Development Bank for \$13,000,000. This loan will provide the local resources for new and expanded roadways, beautification enhancements, and recreational facilities throughout the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julia Williams, City Clerk, at 2101 Airport Road, Flowood, MS 39232.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2008**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|---|--|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 13,029,424 | 4,029,091 | 17,058,515 |
| Funds on deposit with the State of Mississippi | 51,756 | - | 51,756 |
| Investments | 3,149,554 | 3,121,306 | 6,270,860 |
| Receivables (net, where applicable, of allowances for uncollectibles): | | | |
| Accounts | 180,903 | 412,917 | 593,820 |
| Taxes | 949,112 | - | 949,112 |
| Accrued interest | 15,854 | 15,226 | 31,080 |
| Special assessments: | | | |
| Current | 3,662 | - | 3,662 |
| Other governments | 7,671,539 | - | 7,671,539 |
| Internal balances | 2,086,877 | (2,086,877) | - |
| Prepays | 44,016 | 3,963 | 47,979 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 450,789 | 450,789 |
| Investments | - | 14,511 | 14,511 |
| Deferred debt expense (net of accumulated amortization) | 824,534 | 823,924 | 1,648,458 |
| Capital assets: | | | |
| Non-depreciable capital assets | 20,660,470 | 2,350,472 | 23,010,942 |
| Depreciable capital assets, net | <u>57,957,659</u> | <u>29,262,754</u> | <u>87,220,413</u> |
| | | | |
| Total assets | \$ <u>106,625,360</u> | <u>38,398,076</u> | <u>145,023,436</u> |

The accompanying notes are an integral part of this statement.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-------------------|
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 1,065,113 | 438,975 | 1,504,088 |
| Accrued liabilities | 131,782 | 30,955 | 162,737 |
| Accrued interest payable | 399,565 | 244,807 | 644,372 |
| Retainage payable | 142,738 | - | 142,738 |
| Customer deposits | - | 290,943 | 290,943 |
| Deferred revenue | 273,970 | - | 273,970 |
| Funds held for others | 50,160 | - | 50,160 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Compensated absences | 45,606 | 1,528 | 47,134 |
| Loans and leases payable | 778,437 | 246,877 | 1,025,314 |
| Bonds payable | 986,000 | 440,000 | 1,426,000 |
| Claims payable | 222,923 | - | 222,923 |
| Due in more than one year: | | | |
| Compensated absences | 258,435 | 20,334 | 278,769 |
| Loans and leases payable | 11,648,262 | 2,842,261 | 14,490,523 |
| Bonds payable | <u>15,202,000</u> | <u>9,995,000</u> | <u>25,197,000</u> |
| Total liabilities | <u>31,204,991</u> | <u>14,551,680</u> | <u>45,756,671</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets (net of related debt) | 50,003,430 | 18,651,673 | 68,655,103 |
| Restricted for: | | | |
| Capital projects | (1,082,568) | - | (1,082,568) |
| Debt service | 11,294,544 | 174,357 | 11,468,901 |
| Unrestricted | <u>15,204,963</u> | <u>5,020,366</u> | <u>20,225,329</u> |
| Total net assets | <u>\$ 75,420,369</u> | <u>23,846,396</u> | <u>99,266,765</u> |

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|------------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 1,402,133 | 568,765 | - | - |
| Public safety | 7,423,605 | 1,468,993 | - | 29,525 |
| Court | 526,785 | - | - | - |
| Public property maintenance | 514,489 | - | - | - |
| Sanitation | 183,993 | - | - | - |
| Health | 54,673 | - | - | - |
| Street maintenance | 2,599,424 | - | - | 74,722 |
| Recreation | 698,298 | - | - | - |
| Shop and maintenance | 396,143 | - | - | - |
| Landscape | 249,095 | - | - | - |
| Community and economic development | - | - | - | - |
| Interest on long-term debt | <u>1,404,573</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>15,453,211</u> | <u>2,037,758</u> | <u>-</u> | <u>104,247</u> |
| Business-type activities: | | | | |
| Golf course | 1,297,283 | 716,967 | - | - |
| Water and sewer | <u>4,737,821</u> | <u>5,173,595</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>6,035,104</u> | <u>5,890,562</u> | <u>-</u> | <u>-</u> |
| Total government | \$ <u>21,488,315</u> | <u>7,928,320</u> | <u>-</u> | <u>104,247</u> |

General revenues:

Taxes:

- Ad valorem taxes
- Special assessments
- Sales tax
- Utility in lieu of tax
- Franchise fees
- County road tax
- Interest and penalties on taxes
- General intergovernmental revenue
- Investment earnings
- Other
- Transfers
- Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Change in Net Assets

| <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---|---|---------------------|
| (833,368) | - | (833,368) |
| (5,925,087) | - | (5,925,087) |
| (526,785) | - | (526,785) |
| (514,489) | - | (514,489) |
| (183,993) | - | (183,993) |
| (54,673) | - | (54,673) |
| (2,524,702) | - | (2,524,702) |
| (698,298) | - | (698,298) |
| (396,143) | - | (396,143) |
| (249,095) | - | (249,095) |
| - | - | - |
| <u>(1,404,573)</u> | - | <u>(1,404,573)</u> |
| <u>(13,311,206)</u> | - | <u>(13,311,206)</u> |
| - | (580,316) | (580,316) |
| - | <u>435,774</u> | <u>435,774</u> |
| - | <u>(144,542)</u> | <u>(144,542)</u> |
| <u>(13,311,206)</u> | <u>(144,542)</u> | <u>(13,455,748)</u> |
| 3,906,245 | - | 3,906,245 |
| 24,296 | - | 24,296 |
| 8,963,505 | - | 8,963,505 |
| 353,813 | - | 353,813 |
| 356,641 | - | 356,641 |
| 772,935 | - | 772,935 |
| 16,573 | - | 16,573 |
| 1,890,792 | - | 1,890,792 |
| 333,178 | 196,689 | 529,867 |
| 175,059 | - | 175,059 |
| <u>(370,000)</u> | <u>370,000</u> | - |
| <u>16,423,037</u> | <u>566,689</u> | <u>16,989,726</u> |
| 3,111,831 | 422,147 | 3,533,978 |
| <u>72,308,538</u> | <u>23,424,249</u> | <u>95,732,787</u> |
| <u>\$ 75,420,369</u> | <u>23,846,396</u> | <u>99,266,765</u> |

CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

| | <u>General Fund</u> | <u>Recreation and Tourism Special Tax Fund</u> | <u>City-Wide Debt Service</u> |
|---|--------------------------------|---|--|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 5,131,670 | 3,359,349 | 2,625,141 |
| Funds on deposit with the State of Mississippi | - | - | - |
| Investments | 3,149,554 | - | - |
| Receivables (net of allowance for uncollectibles, where applicable): | | | |
| Accounts | 42,337 | - | - |
| Taxes | 794,133 | 100,125 | 54,854 |
| Interest | 14,964 | - | 890 |
| Special assessments: | | | |
| Current | - | - | 3,662 |
| Due from other funds | 3,686,163 | 281,675 | 1,388,415 |
| Due from other governments | - | - | 7,663,197 |
| Prepaid expenses | <u>44,016</u> | <u>-</u> | <u>-</u> |
| Total assets | \$ <u>12,862,837</u> | <u>3,741,149</u> | <u>11,736,159</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 751,670 | - | - |
| Accrued liabilities | 131,782 | - | - |
| Retainage payable | - | - | - |
| Deferred revenue | 273,970 | - | 7,663,197 |
| Funds held for others | - | - | 50,022 |
| Due to other funds | <u>846,383</u> | <u>1,207,663</u> | <u>391,593</u> |
| Total liabilities | <u>2,003,805</u> | <u>1,207,663</u> | <u>8,104,812</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Capital projects | - | - | - |
| Debt service | - | - | 3,631,347 |
| Unreserved, undesignated in: | | | |
| General fund | 10,859,032 | - | - |
| Special revenue funds | <u>-</u> | <u>2,533,486</u> | <u>-</u> |
| Total fund balances | <u>10,859,032</u> | <u>2,533,486</u> | <u>3,631,347</u> |
| Total liabilities and fund balances | \$ <u>12,862,837</u> | <u>3,741,149</u> | <u>11,736,159</u> |

The accompanying notes are an integral part of this statement.

| <u>Bridge and Street Improvements</u> | <u>Other Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|--|--|
| - | 881,018 | 11,997,178 |
| 51,756 | - | 51,756 |
| - | - | 3,149,554 |
| - | 25,141 | 67,478 |
| - | - | 949,112 |
| - | - | 15,854 |
| - | - | 3,662 |
| 264,176 | 796,577 | 6,417,006 |
| 8,342 | - | 7,671,539 |
| - | - | 44,016 |
| <u>324,274</u> | <u>1,702,736</u> | <u>30,367,155</u> |
| 309,343 | 4,100 | 1,065,113 |
| - | - | 131,782 |
| - | 142,738 | 142,738 |
| - | - | 7,937,167 |
| - | 138 | 50,160 |
| <u>1,751,338</u> | <u>133,152</u> | <u>4,330,129</u> |
| <u>2,060,681</u> | <u>280,128</u> | <u>13,657,089</u> |
| (1,736,407) | 653,839 | (1,082,568) |
| - | - | 3,631,347 |
| - | - | 10,859,032 |
| - | 768,769 | 3,302,255 |
| <u>(1,736,407)</u> | <u>1,422,608</u> | <u>16,710,066</u> |
| <u>324,274</u> | <u>1,702,736</u> | <u>30,367,155</u> |

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

Total fund balances - governmental funds \$ 16,710,066

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds.

| | | |
|-------------------------------|---------------------|------------|
| Governmental capital assets | 124,557,772 | |
| Less accumulated depreciation | <u>(45,939,643)</u> | 78,618,129 |

| | |
|--|--------|
| Certain revenue that was earned in the current period but not received within 60 days is not recognized in the fund statement but recognized under full accrual. | 67,602 |
|--|--------|

| | |
|---|-----------|
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the Statement of Activities. | 7,663,197 |
|---|-----------|

| | |
|--|---------|
| Deferred charges, including debt issue costs, are amortized in the governmental activities, but were recognized in full in the governmental funds. | 824,534 |
|--|---------|

| | |
|---|---------|
| An internal service fund is used by management to charge the cost of health and dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. | 855,146 |
|---|---------|

| | | |
|--|------------------|--------------|
| Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities consist of: | | |
| General obligation bonds | (3,934,000) | |
| Limited obligation bonds | (12,254,000) | |
| Notes | (12,347,487) | |
| Capital lease obligations | (79,212) | |
| Accrued interest payable | (399,565) | |
| Compensated absences | <u>(304,041)</u> | (29,318,305) |

Net assets of governmental activities \$ 75,420,369

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | <u>General Fund</u> | <u>Recreation and Tourism Special Tax Fund</u> | <u>City-Wide Debt Service</u> |
|---|-------------------------|--|---------------------------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Current year ad valorem | \$ 2,161,069 | - | 1,724,035 |
| Prior years ad valorem | 13,900 | - | 7,241 |
| Interest and penalties on taxes | 16,573 | - | - |
| Special assessments | - | - | 24,296 |
| Franchise fees | 356,641 | - | - |
| Licenses and permits | 552,819 | - | - |
| Intergovernmental | 9,397,699 | 1,366,417 | 745,330 |
| Charges for services | 15,946 | - | - |
| Fines and forfeits | 1,121,941 | - | - |
| Contribution from developer | - | - | - |
| Interest earned | 277,822 | 33,344 | 19,704 |
| Miscellaneous | <u>173,959</u> | <u>-</u> | <u>1,100</u> |
| Total revenues | <u>14,088,369</u> | <u>1,399,761</u> | <u>2,521,706</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 1,353,888 | - | - |
| Public safety | 7,646,004 | - | - |
| Court | 531,035 | - | - |
| Public property maintenance | 408,249 | - | - |
| Sanitation | 183,993 | - | - |
| Health | 54,673 | - | - |
| Street maintenance | 909,185 | - | - |
| Recreation | 585,651 | - | - |
| Shop and maintenance | 393,787 | - | - |
| Landscape | 248,188 | - | - |
| Capital projects | - | - | - |
| Debt service: | | | |
| Principal | 76,173 | - | 1,701,762 |
| Interest and other fiscal charges | <u>6,182</u> | <u>-</u> | <u>1,365,710</u> |
| Total expenditures | <u>12,397,008</u> | <u>-</u> | <u>3,067,472</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,691,361</u> | <u>1,399,761</u> | <u>(545,766)</u> |

The accompanying notes are an integral part of this statement.

| <u>Bridge and Street Improvements</u> | <u>Other Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|--|--|
| - | - | 3,885,104 |
| - | - | 21,141 |
| - | - | 16,573 |
| - | - | 24,296 |
| - | - | 356,641 |
| - | - | 552,819 |
| 8,705 | 861,161 | 12,379,312 |
| - | - | 15,946 |
| - | 384,771 | 1,506,712 |
| - | - | - |
| - | 2,308 | 333,178 |
| - | - | <u>175,059</u> |
| <u>8,705</u> | <u>1,248,240</u> | <u>19,266,781</u> |
| - | - | 1,353,888 |
| - | 115,428 | 7,761,432 |
| - | - | 531,035 |
| - | - | 408,249 |
| - | - | 183,993 |
| - | - | 54,673 |
| - | 772,935 | 1,682,120 |
| - | - | 585,651 |
| - | - | 393,787 |
| - | - | 248,188 |
| 1,639,107 | 621,060 | 2,260,167 |
| - | - | 1,777,935 |
| - | - | <u>1,371,892</u> |
| <u>1,639,107</u> | <u>1,509,423</u> | <u>18,613,010</u> |
| <u>(1,630,402)</u> | <u>(261,183)</u> | <u>653,771</u> |

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | <u>General Fund</u> | <u>Recreation and Tourism Special Tax Fund</u> | <u>City-Wide Debt Service</u> |
|---|--------------------------------|---|--|
| EXPENDITURES - CONTINUED: | | | |
| Other financing sources (uses): | | | |
| Operating transfers in | \$ - | - | 1,588,204 |
| Operating transfers out | (1,022,387) | (570,000) | - |
| Proceeds from capital improvement loan | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(1,022,387)</u> | <u>(570,000)</u> | <u>1,588,204</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | 668,974 | 829,761 | 1,042,438 |
| Fund balance at beginning of year | <u>10,190,058</u> | <u>1,703,725</u> | <u>2,588,909</u> |
| Fund balance at end of year | \$ <u>10,859,032</u> | <u>2,533,486</u> | <u>3,631,347</u> |

The accompanying notes are an integral part of this statement.

| <u>Bridge and Street Improvements</u> | <u>Other Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|--|--|
| - | - | 1,588,204 |
| (352,939) | (12,878) | (1,958,204) |
| <u>1,460,032</u> | <u>-</u> | <u>1,460,032</u> |
| <u>1,107,093</u> | <u>(12,878)</u> | <u>1,090,032</u> |
| (523,309) | (274,061) | 1,743,803 |
| <u>(1,213,098)</u> | <u>1,696,669</u> | <u>14,966,263</u> |
| <u>(1,736,407)</u> | <u>1,422,608</u> | <u>16,710,066</u> |

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Net change in fund balances - total governmental funds **\$ 1,743,803**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

| | | |
|--|--------------------|-----------|
| Expenditures for capital assets | 3,359,241 | |
| Less current year depreciation expense | <u>(1,817,333)</u> | 1,541,908 |

| | |
|---|----------|
| Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years. | (37,718) |
|---|----------|

| | |
|--|-----------|
| Revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues. | (360,037) |
|--|-----------|

| | |
|---|----------|
| Governmental funds report bond issuance costs as expenditures. However, these amounts are reported on the Statement of Net Assets as a deferred charge and amortized over the life of the debt. This is the amount by which current period bond issue costs exceed current period amortization. | (57,619) |
|---|----------|

| | |
|--|-----------|
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | 1,783,731 |
|--|-----------|

| | |
|---|-------------|
| Governmental funds report the issuance of debt as an other financing source. In the governmental activities, however, the issuance of debt is reflected as a liability instead. | (1,460,032) |
|---|-------------|

| | |
|---|-------|
| An internal service fund is used by management to charge the cost of health and dental insurance to individual funds. The net revenue (expense) is reported with governmental activities. | 8,053 |
|---|-------|

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

| | | |
|------------------------------------|-----------------|-----------------|
| Change in accrued interest payable | 19,139 | |
| Change in compensated absences | <u>(69,397)</u> | <u>(50,258)</u> |

Change in net assets of governmental activities **\$ 3,111,831**

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 SEPTEMBER 30, 2008**

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental Activities</u> |
|---|--|--|-------------------|--------------------------------------|
| | <u>Water and Sewer Enterprise Fund</u> | <u>Golf Course Enterprise Fund</u> | <u>Totals</u> | <u>Internal Service Fund</u> |
| <u>ASSETS</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,820,090 | 119,511 | 3,939,601 | 1,121,736 |
| Investments | 3,121,306 | - | 3,121,306 | - |
| Receivables (net of allowance for uncollectibles, where applicable): | | | | |
| Accounts | 388,697 | 24,220 | 412,917 | 45,823 |
| Accrued interest | 15,226 | - | 15,226 | - |
| Prepaid expenses | 3,963 | - | 3,963 | - |
| Due from other funds | - | 33,829 | 33,829 | - |
| Total current assets | <u>7,349,282</u> | <u>177,560</u> | <u>7,526,842</u> | <u>1,167,559</u> |
| Restricted assets: | | | | |
| Customer deposits | 290,943 | - | 290,943 | - |
| Revenue bond future debt service account | 14,511 | - | 14,511 | - |
| Principal reserve escrow account | 159,846 | - | 159,846 | - |
| Total restricted assets | <u>465,300</u> | <u>-</u> | <u>465,300</u> | <u>-</u> |
| Other assets: | | | | |
| Deferred debt expense (net of accumulated amortization) | 261,339 | 562,585 | 823,924 | - |
| Total other assets | <u>261,339</u> | <u>562,585</u> | <u>823,924</u> | <u>-</u> |
| Property, plant and equipment: | | | | |
| Land | 198,781 | - | 198,781 | - |
| Machinery and equipment | 1,039,149 | - | 1,039,149 | - |
| Water distribution system | 38,411,747 | - | 38,411,747 | - |
| Golf course facilities | - | 4,196,539 | 4,196,539 | - |
| | 39,649,677 | 4,196,539 | 43,846,216 | - |
| Less accumulated depreciation | (11,708,219) | (2,676,462) | (14,384,681) | - |
| | 27,941,458 | 1,520,077 | 29,461,535 | - |
| Construction in progress | 2,151,691 | - | 2,151,691 | - |
| Net property, plant and equipment | <u>30,093,149</u> | <u>1,520,077</u> | <u>31,613,226</u> | <u>-</u> |
| Total assets | <u>\$ 38,169,070</u> | <u>2,260,222</u> | <u>40,429,292</u> | <u>1,167,559</u> |

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS - CONTINUED:
 PROPRIETARY FUND
 SEPTEMBER 30, 2008**

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental Activities</u> |
|---|--|--|----------------------|--------------------------------------|
| | <u>Water and Sewer Enterprise Fund</u> | <u>Golf Course Enterprise Fund</u> | <u>Totals</u> | <u>Internal Service Fund</u> |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 438,069 | 906 | 438,975 | - |
| Accrued interest payable | 172,141 | 72,666 | 244,807 | - |
| Accrued compensated absences | 1,528 | - | 1,528 | - |
| Accrued liabilities | 7,693 | 23,262 | 30,955 | 222,923 |
| Due to other funds | 1,839,031 | 281,675 | 2,120,706 | - |
| Notes payable - current | 246,877 | - | 246,877 | - |
| Revenue bonds payable - current | <u>270,000</u> | <u>170,000</u> | <u>440,000</u> | - |
| Total current liabilities | <u>2,975,339</u> | <u>548,509</u> | <u>3,523,848</u> | <u>222,923</u> |
| Current liabilities payable from restricted assets: | | | | |
| Customer deposits | <u>290,943</u> | - | <u>290,943</u> | - |
| Long-term liabilities: | | | | |
| Compensated absences | 20,334 | - | 20,334 | - |
| Notes payable - net of current portion | 2,842,261 | - | 2,842,261 | - |
| Revenue bonds - net of current portion | <u>5,910,000</u> | <u>4,085,000</u> | <u>9,995,000</u> | - |
| Total long-term liabilities | <u>8,772,595</u> | <u>4,085,000</u> | <u>12,857,595</u> | - |
| Total liabilities | <u>12,038,877</u> | <u>4,633,509</u> | <u>16,672,386</u> | <u>222,923</u> |
| <u>NET ASSETS</u> | | | | |
| Invested in capital assets, net of related debt | 20,824,011 | (2,172,338) | 18,651,673 | - |
| Restricted for debt service | 174,357 | - | 174,357 | - |
| Unrestricted | <u>5,131,825</u> | <u>(200,949)</u> | <u>4,930,876</u> | <u>944,636</u> |
| Total net assets | \$ <u>26,130,193</u> | <u>(2,373,287)</u> | 23,756,906 | <u>944,636</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | <u>89,490</u> | |
| Net assets of business-type activities | | | \$ <u>23,846,396</u> | |

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental Activities</u> |
|--|--|--|-------------------|--------------------------------------|
| | <u>Water and Sewer Enterprise Fund</u> | <u>Golf Course Enterprise Fund</u> | <u>Totals</u> | <u>Internal Service Fund</u> |
| OPERATING REVENUES: | | | | |
| Water sales | \$ 1,902,826 | - | 1,902,826 | - |
| Sewer charges | 2,766,979 | - | 2,766,979 | - |
| Tap fees and connection fees | 472,813 | - | 472,813 | - |
| Late fees | 30,977 | - | 30,977 | - |
| Health and dental contributions | - | - | - | 995,577 |
| Golf course revenue | - | 716,967 | 716,967 | - |
| | <u>5,173,595</u> | <u>716,967</u> | <u>5,890,562</u> | <u>995,577</u> |
| OPERATING EXPENSES: | | | | |
| Personal services | 1,038,772 | - | 1,038,772 | - |
| Supplies | 372,968 | - | 372,968 | - |
| Other services and charges | 1,837,441 | - | 1,837,441 | - |
| Depreciation | 1,043,258 | 280,293 | 1,323,551 | - |
| Claims expense | - | - | - | 1,002,042 |
| Golf course expenses | - | 803,381 | 803,381 | - |
| Total operating expenses | <u>4,292,439</u> | <u>1,083,674</u> | <u>5,376,113</u> | <u>1,002,042</u> |
| OPERATING INCOME (LOSS) | <u>881,156</u> | <u>(366,707)</u> | <u>514,449</u> | <u>(6,465)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 195,898 | 791 | 196,689 | 15,387 |
| Bond interest and fiscal charges | (446,251) | (190,556) | (636,807) | - |
| Amortization of bond issue cost | - | (23,053) | (23,053) | - |
| Operating transfers in (out) | - | 370,000 | 370,000 | - |
| Total non-operating expenses | <u>(250,353)</u> | <u>157,182</u> | <u>(93,171)</u> | <u>15,387</u> |
| INCOME BEFORE CONTRIBUTIONS | 630,803 | (209,525) | 421,278 | 8,922 |
| Capital contributions | - | - | - | - |
| CHANGE IN NET ASSETS | 630,803 | (209,525) | 421,278 | 8,922 |
| NET ASSETS AT BEGINNING OF YEAR | <u>25,499,390</u> | <u>(2,163,762)</u> | <u>23,335,628</u> | <u>935,714</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 26,130,193</u> | <u>(2,373,287)</u> | <u>23,756,906</u> | <u>944,636</u> |
| Net change in net assets - total proprietary funds | | | \$ 421,278 | |
| Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | | | <u>869</u> | |
| Net change in net assets of business-type activities | | | <u>\$ 422,147</u> | |

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|--|--------------------------------------|--------------------|-----------------------------|
| | Water and Sewer Enterprise Fund | Golf Course Enterprise Fund | Totals | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 5,293,356 | 717,023 | 6,010,379 | - |
| Health and dental contributions received | - | - | - | 1,264,122 |
| Cash paid to suppliers and employees | (3,674,211) | (820,672) | (4,494,883) | (901,039) |
| Net cash provided by operating activities | <u>1,619,145</u> | <u>(103,649)</u> | <u>1,515,496</u> | <u>363,083</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Operating transfer in | - | <u>370,000</u> | <u>370,000</u> | - |
| Net cash provided by non-capital financing activities | <u>-</u> | <u>370,000</u> | <u>370,000</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from bonds and notes | - | 4,255,000 | 4,255,000 | - |
| Principal paid on bonds and notes | (493,132) | (4,160,000) | (4,653,132) | - |
| Increase in amount due to other funds | 303,701 | (83,313) | 220,388 | - |
| Interest paid on bonds and notes | (438,038) | (218,776) | (656,814) | - |
| Acquisition of fixed assets | (2,083,252) | - | (2,083,252) | - |
| Payment of bond issue cost | - | (235,000) | (235,000) | - |
| Net cash used for capital and related financing activities | <u>(2,710,721)</u> | <u>(442,089)</u> | <u>(3,152,810)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Proceeds from sale (purchases) of investments - net | 46,916 | - | 46,916 | - |
| Earnings on invested proceeds | <u>206,834</u> | <u>791</u> | <u>207,625</u> | <u>15,387</u> |
| Net cash provided by investing activities | <u>253,750</u> | <u>791</u> | <u>254,541</u> | <u>15,387</u> |
| Net increase (decrease) in cash | (837,826) | (174,947) | (1,012,773) | 378,470 |
| Cash and cash equivalents - beginning of year (including \$513,940 in restricted accounts) | <u>5,108,705</u> | <u>294,458</u> | <u>5,403,163</u> | <u>743,266</u> |
| Cash and cash equivalents - end of year (including \$450,789 in restricted accounts) | <u>\$ 4,270,879</u> | <u>119,511</u> | <u>4,390,390</u> | <u>1,121,736</u> |

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental Activities</u> |
|---|--|--|------------------|--------------------------------------|
| | <u>Water and Sewer Enterprise Fund</u> | <u>Golf Course Enterprise Fund</u> | <u>Totals</u> | <u>Internal Service Fund</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ <u>881,156</u> | <u>(366,707)</u> | <u>514,449</u> | <u>(6,465)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation and amortization | 1,043,258 | 280,293 | 1,323,551 | - |
| (Increase) decrease in: | | | | |
| Accounts receivable | 110,126 | 56 | 110,182 | 268,545 |
| Prepaid expenses | 71 | - | 71 | - |
| Increase (decrease) in: | | | | |
| Accounts payable | (435,003) | (16,845) | (451,848) | - |
| Accrued compensated absences | 863 | - | 863 | - |
| Accrued liabilities | 5,769 | (446) | 5,323 | 101,003 |
| Customer deposits | 9,635 | - | 9,635 | - |
| Compensated absences - long-term | <u>3,270</u> | <u>-</u> | <u>3,270</u> | <u>-</u> |
| Total adjustments | <u>737,989</u> | <u>263,058</u> | <u>1,001,047</u> | <u>369,548</u> |
| Net cash provided by (used for) operating activities | \$ <u>1,619,145</u> | <u>(103,649)</u> | <u>1,515,496</u> | <u>363,083</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Amortization of bond issue costs | \$ <u>17,798</u> | <u>23,053</u> | <u>40,851</u> | <u>-</u> |

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2008

| | <u>Agency Funds</u> | | |
|--------------------------------|--|--|----------------|
| | <u>Airport Parkway Commission Fund</u> | <u>East Metro Corridor Commission Fund</u> | <u>Totals</u> |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 180,208 | 97 | 180,305 |
| Receivable - intergovernmental | <u>161,199</u> | <u>48,840</u> | <u>210,039</u> |
| Total assets | \$ <u>341,407</u> | <u>48,937</u> | <u>390,344</u> |
| LIABILITIES: | | | |
| Accounts payable | \$ 165,217 | 48,840 | 214,057 |
| Escrow deposits | <u>2,500</u> | <u>150</u> | <u>2,650</u> |
| Total liabilities | 167,717 | 48,990 | 216,707 |
| FUND BALANCE: | | | |
| Reserved for construction cost | <u>173,690</u> | <u>53</u> | <u>173,743</u> |
| Total liabilities and equity | \$ <u>341,407</u> | <u>49,043</u> | <u>390,450</u> |

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Flowood, Mississippi (the City) was incorporated in 1952 and operates under a Mayor - Board of Aldermen form of government. The City is a primary government with two separate component units under the definitions of GASB Statement No. 14, *The Financial Reporting Entity*. The City is organized into the following divisions: general government, public safety (police and fire), public property maintenance, sanitation, health, street maintenance, recreation, and shop maintenance.

The financial statements of the City of Flowood have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Individual Component Unit Disclosures

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

The Flowood Civic Improvement Corporation and the Flowood Golf Course Improvement Corporation are both governed by a seven-member board consisting of the Mayor, Board of Aldermen and City Clerk of the City. Although the Corporations are legally separate from the City, the Corporations are reported as if they were part of the primary government because their sole purpose is to finance and construct public facilities for the City.

B. Government-Wide and Fund Financial Statements

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police and fire), public works, sanitation, health, street maintenance, recreation, and shop and maintenance. The business-type activities of the City include operation of the municipal golf course and water and sewer systems.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund 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 funds and

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City, in general, considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The **Recreation and Tourism Special Tax Fund** is a special revenue fund. It accounts for the proceeds and expenditures of the 2% special tax levied on food and beverages.

The **City-Wide Debt Service Fund** is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

The **Bridge and Street Improvement Fund** is used to account for financial resources to be used for the construction of bridges and streets.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to the citizens of the City.

The **Golf Course Fund** accounts for the activities of the eighteen-hole golf course located in the City.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 connection with a proprietary fund's principal ongoing

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

operations. The principal operating revenues of the Enterprise Fund of the City are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date within 90 days of the date acquired by the City. Collateral, as further discussed in Note 3, is pledged by the various financial institutions to secure City funds.

E. Budgets and Budgetary Accounting

The Mayor and Board of Aldermen annually approve the budget ordinance for the general funds of the City of Flowood.

The governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget 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 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. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets are amended by resolution of the Board of Aldermen to authorize expenditures of various grants received and to adjust department budgets as required. The reported budgetary data has been revised for amendments authorized by the governing board.

F. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, motor vehicles, water system, sewer system, and infrastructure

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

assets (street systems, storm drains, traffic signals, etc.), are reported in both the governmental activities and business-type activities columns of the government-wide financial statements. Capital asset thresholds are as follows:

| <u>Asset</u> | <u>Threshold</u> |
|-----------------------------------|------------------|
| Land | N/A |
| Infrastructure | N/A |
| Furniture, vehicles and equipment | \$ 5,000 |
| Improvements other than buildings | 25,000 |
| Buildings | 50,000 |

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets. The useful lives and salvage values are as follows:

| <u>Assets</u> | <u>Useful Life</u> | <u>Salvage Value</u> |
|-----------------------------------|------------------------|--------------------------|
| Computers | 3 | 1% |
| Vehicles and equipment | 5 | 10% |
| Heavy equipment | 10 | 10% |
| Furniture and fixtures | 7 | 10% |
| Improvements other than buildings | 25 | 20% |
| Buildings | 40 | 20% |
| Infrastructure: | | |
| Roads | 20 | 30% |
| Concrete bridges | 50 | 0% |
| Timber bridges | 30 | 0% |

G. Prepaid Items

The City's prepayment of its estimated matching share to the State of Mississippi for capital projects is reflected as a prepaid expense in both the government-wide statements and fund

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

financial statements until the related construction costs are incurred. Certain payments to vendors reflect costs applicable to future accounting periods and are also recorded as prepaid items in both the government-wide statements and fund financial statements.

H. Compensated Absences

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. The accrual rate is based on the years of service. Employees are allowed to carryover the equivalent of one year's accrual plus three days. Any amount of vacation in excess of the carryover amount is forfeited if not used by December 31. For the proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the funds financial statements all of the compensated absences are considered long-term and, therefore, are not a fund liability. An accrual of \$325,903 has been made in the Statement of Net Assets for vacation time at September 30, 2008. No liability is recorded for nonvesting accumulating rights to receive sick pay.

I. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Balance Sheet or Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Additionally, customer water deposits are set aside for repayment. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

J. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, *Capitalization of Interest Cost*, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use.

K. Long-Term Liabilities

In the government-wide financial statements and proprietary 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. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

L. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but are not yet earned.

M. Reclassification

Certain accounts relating to the prior year have been restated to conform to the current year's presentation.

NOTE 2 - PROPERTY TAX

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own public utility taxes. Real, personal property and automobile ad valorem taxes and certain road taxes are collected by the tax collector of Rankin County and are disbursed to the City accordingly. Current collections of real, public utility, and personal property taxes for the year ended September 30, 2008 were approximately 99.5% of the total tax levy.

The tax rate levied by the City for 2008 was set at 20.0 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

| | |
|------------------------------------|-----------------|
| General Fund | \$ 1.315 |
| G. O. Public Improvement | .050 |
| G. O. Road Improvement | .175 |
| G. O. Refunding Bonds | .150 |
| Mississippi Development Bank Loans | <u>.310</u> |
| | \$ <u>2.000</u> |

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2008:

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> | <u>Restricted Cash and Cash Equivalents</u> | <u>Restricted Investments</u> | <u>Total</u> |
|--|--|--------------------|---|-----------------------------------|-------------------|
| Governmental activities: | | | | | |
| General fund | \$ 5,131,670 | 3,149,554 | - | - | 8,281,224 |
| Recreation and Tourism special tax fund | 3,359,349 | - | - | - | 3,359,349 |
| City-wide debt service | 2,625,141 | - | - | - | 2,625,141 |
| Bridge and street improvements | - | - | - | - | - |
| Nonmajor governmental funds | 881,018 | - | - | - | 881,018 |
| Internal service fund | <u>1,032,246</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,032,246</u> |
| Total governmental activities | <u>13,029,424</u> | <u>3,149,554</u> | <u>-</u> | <u>-</u> | <u>16,178,978</u> |
| Business-type activities: | | | | | |
| Water and sewer fund | 3,820,090 | 3,121,306 | 450,789 | 14,511 | 7,406,696 |
| Golf course fund | 119,511 | - | - | - | 119,511 |
| Internal service fund | <u>89,490</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>89,490</u> |
| Total business-type activities | <u>4,029,091</u> | <u>3,121,306</u> | <u>450,789</u> | <u>14,511</u> | <u>7,615,697</u> |
| Government-wide total | \$ <u>17,058,515</u> | <u>6,270,860</u> | <u>450,789</u> | <u>14,511</u> | <u>23,794,675</u> |

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City'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. Deposits at September 30, 2008 are summarized as follows:

| | <u>Reported Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| Cash | \$ 17,509,304 | 17,845,142 |
| Certificates of deposit | <u>6,285,371</u> | <u>6,285,371</u> |
| Total deposits | \$ <u>23,794,675</u> | <u>24,130,513</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits - continued:

The difference of \$335,838 was principally due to outstanding checks. Of the bank balance, \$750,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits -- Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2008, \$23,380,513 of the City's bank balance of \$24,130,513 was exposed to custodial credit risk as follows:

| | |
|--|----------------------|
| Collateralized by the State Public Funds | |
| Guaranty Pool | \$ <u>23,380,513</u> |
| Total | \$ <u>23,380,513</u> |

NOTE 4 - RECEIVABLES

Receivables at September 30, 2008 were as follows:

| | <u>Accounts</u> | <u>Taxes</u> | <u>Interest</u> | <u>Special Assessments</u> | <u>Due from Other Governments</u> | <u>Total Receivables</u> |
|----------------------------|-----------------|----------------|-----------------|----------------------------|-----------------------------------|--------------------------|
| Governmental activities: | | | | | | |
| General Fund | \$ 184,028 | 794,133 | 14,964 | - | - | 933,125 |
| Recreation and Tourism | | | | | | |
| Special Tax Fund | - | 100,125 | - | - | - | 100,125 |
| City-Wide Debt Service | | | | | | |
| Fund | - | 54,854 | 890 | 3,662 | 7,663,197 | 7,722,603 |
| Bridge and Street Im- | | | | | | |
| provements Fund | - | - | - | - | 8,342 | 8,342 |
| Nonmajor Governmental | | | | | | |
| Fund | 25,141 | - | - | - | - | 25,141 |
| Gross receivables | 209,169 | 949,112 | 15,854 | 3,662 | 7,671,539 | 8,849,336 |
| Less: Allowance for uncol- | | | | | | |
| lectible accounts | <u>(28,266)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(28,266)</u> |
| Total governmental | | | | | | |
| activities | <u>180,903</u> | <u>949,112</u> | <u>15,854</u> | <u>3,662</u> | <u>7,671,539</u> | <u>8,821,070</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4 - RECEIVABLES - CONTINUED:

| | <u>Accounts</u> | <u>Taxes</u> | <u>Interest</u> | <u>Special Assessments</u> | <u>Due from Other Governments</u> | <u>Total Receivables</u> |
|--|-------------------|----------------|-----------------|----------------------------|-----------------------------------|--------------------------|
| Business-type activities: | | | | | | |
| Water and Sewer Fund | \$ 388,697 | - | 15,226 | - | - | 403,923 |
| Golf Course Fund | <u>24,220</u> | - | - | - | - | <u>24,220</u> |
| Gross receivables | 412,917 | - | 15,226 | - | - | 428,143 |
| Less: Allowance for uncollectible accounts | - | - | - | - | - | - |
| Total business-type activities | <u>412,917</u> | - | <u>15,226</u> | - | - | <u>428,143</u> |
| Total government-wide | \$ <u>593,820</u> | <u>949,112</u> | <u>31,080</u> | <u>3,662</u> | <u>7,671,539</u> | <u>9,249,213</u> |

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at September 30, 2008 were as follows:

| | <u>Mississippi Department of Transportation</u> | <u>Rankin County</u> | <u>Total</u> |
|-------------------------------------|---|----------------------|------------------|
| City-Wide Debt Service Fund | \$ - | 7,663,197 | 7,663,197 |
| Bridge and Street Improvements Fund | <u>8,342</u> | - | <u>8,342</u> |
| | <u>\$ 8,342</u> | <u>7,663,197</u> | <u>7,671,539</u> |

NOTE 6 - CAPITAL ASSETS

Capital asset activities for the year ended September 30, 2008 were as follows:

| | <u>Balance at October 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at September 30, 2008</u> |
|--------------------------|-----------------------------------|------------------|------------------|--------------------------------------|
| Governmental activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 17,684,485 | 1,244,058 | - | 18,928,543 |
| Construction in progress | <u>7,483,752</u> | <u>806,953</u> | (6,558,748) | <u>1,731,957</u> |
| Total | <u>25,168,237</u> | <u>2,051,011</u> | (6,558,748) | <u>20,660,500</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 6 - CAPITAL ASSETS - CONTINUED:

| | Balance at October 1, <u>2007</u> | <u>Additions</u> | <u>Deletions</u> | Balance at September 30, <u>2008</u> |
|--|---|----------------------|------------------------|--|
| Depreciable assets: | | | | |
| Buildings | \$ 6,932,734 | - | - | 6,932,734 |
| Improvements other than buildings | 2,644,804 | 5,239,023 | - | 7,883,827 |
| Machinery and equipment | 5,461,968 | 924,908 | - | 6,386,876 |
| Infrastructure | <u>80,990,788</u> | <u>1,703,047</u> | - | <u>82,693,835</u> |
| Total | <u>96,030,294</u> | <u>7,866,978</u> | - | <u>103,897,272</u> |
| Total capital assets | <u>121,198,531</u> | <u>9,917,989</u> | <u>(6,558,748)</u> | <u>124,557,772</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (810,573) | (110,924) | - | (921,497) |
| Improvements other than buildings | (740,952) | (174,595) | - | (915,547) |
| Machinery and equipment | (3,047,241) | (558,494) | - | (3,605,735) |
| Infrastructure | <u>(39,523,544)</u> | <u>(973,320)</u> | - | <u>(40,496,864)</u> |
| Total accumulated depreciation | <u>(44,122,310)</u> | <u>(1,817,333)</u> | - | <u>(45,939,643)</u> |
| Total governmental activities - capital assets, net | <u>\$ 77,076,221</u> | <u>8,100,656</u> | <u>(6,558,748)</u> | <u>78,618,129</u> |

Depreciation expense for governmental activities is charged to functions as follows:

| | |
|--|-------------------------|
| General government | \$ 114,113 |
| Public safety | 495,266 |
| Court | 260 |
| Public property maintenance | 102,426 |
| Street maintenance | 959,633 |
| Recreation | 143,205 |
| Shop and maintenance | 1,523 |
| Landscape | <u>907</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,817,333</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 6 - CAPITAL ASSETS - CONTINUED:

| | Balance at October 1, <u>2007</u> | <u>Additions</u> | <u>Deletions</u> | Balance at September 30, <u>2008</u> |
|---|---|--------------------|------------------|--|
| Business-type activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 179,181 | 19,600 | - | 198,781 |
| Construction in progress | <u>257,806</u> | <u>1,893,885</u> | - | <u>2,151,691</u> |
| Total | <u>436,987</u> | <u>1,913,485</u> | - | <u>2,350,472</u> |
| Depreciable assets: | | | | |
| Machinery and equipment | 1,039,149 | - | - | 1,039,149 |
| Water distribution systems | 38,241,980 | 169,768 | - | 38,411,748 |
| Golf course facilities | <u>4,196,539</u> | - | - | <u>4,196,539</u> |
| Total | <u>43,477,668</u> | <u>169,768</u> | - | <u>43,647,436</u> |
| Total capital assets | <u>43,914,655</u> | <u>2,083,253</u> | - | <u>45,997,908</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | (906,519) | (35,983) | - | (942,502) |
| Water distribution systems | (9,758,443) | (1,007,275) | - | (10,765,718) |
| Golf course facilities | <u>(2,417,273)</u> | <u>(259,189)</u> | - | <u>(2,676,462)</u> |
| Total accumulated depreciation | <u>(13,082,235)</u> | <u>(1,302,447)</u> | - | <u>(14,384,682)</u> |
| Total business-type activities capital assets, net | \$ <u>30,832,420</u> | <u>780,806</u> | - | <u>31,613,226</u> |

Depreciation expense for business-type activities is charged to functions as follows:

| | |
|---|---------------------|
| Golf course | \$ 259,189 |
| Water and sewer | <u>1,043,258</u> |
| Total depreciation expense - business-type activities | \$ <u>1,302,447</u> |

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The City has entered into lease purchase agreements for the acquisition of nine police cars utilized by the police department of the City. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7 - CAPITAL LEASE OBLIGATIONS - CONTINUED:

The vehicles acquired through the capital leases are as follows as of September 30, 2008:

| | <u>Governmental Activities</u> |
|-------------------------------|------------------------------------|
| Asset: | |
| Machinery and equipment | \$ 228,668 |
| Less accumulated depreciation | <u>80,680</u> |
| Total | <u>\$ 147,988</u> |

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at September 30, 2008:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Fiscal year ending September 30: | |
| 2008 | \$ 82,354 |
| Less amount representing interest | <u>3,142</u> |
| Present value of net minimum lease payments | <u>\$ 79,212</u> |

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2008:

| | Beginning Balance October 1, <u>2007</u> | Additions/ <u>Proceeds</u> | Reductions/ <u>Payments</u> | Ending Balance September 30, 2008 | Due Within <u>One Year</u> |
|----------------------------------|---|-------------------------------|--------------------------------|--|----------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 4,512,000 | - | 578,000 | 3,934,000 | 502,000 |
| Limited obligation bonds | 12,683,000 | - | 429,000 | 12,254,000 | 484,000 |
| Notes | 11,588,013 | 1,460,032 | 700,558 | 12,347,487 | 699,225 |
| Capital lease obligations | 155,385 | - | 76,173 | 79,212 | 79,212 |
| Compensated absences | <u>234,644</u> | <u>69,397</u> | <u>-</u> | <u>304,041</u> | <u>45,606</u> |
| Governmental activities total | <u>\$ 29,173,042</u> | <u>1,529,429</u> | <u>1,783,731</u> | <u>28,918,740</u> | <u>1,810,043</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

| | Beginning Balance October 1, <u>2007</u> | Additions/ <u>Proceeds</u> | Reductions/ <u>Payments</u> | Ending Balance September <u>30, 2008</u> | Due Within <u>One Year</u> |
|-----------------------------------|---|-------------------------------|--------------------------------|---|----------------------------------|
| Business-type activities: | | | | | |
| Revenue bonds | \$ 10,595,000 | 4,255,000 | 4,415,000 | 10,435,000 | 440,000 |
| Notes | 3,327,270 | - | 238,132 | 3,089,138 | 246,877 |
| Compensated absences | <u>17,729</u> | <u>4,133</u> | <u>-</u> | <u>21,862</u> | <u>1,528</u> |
| Business-type activities total | <u>13,939,999</u> | <u>4,259,133</u> | <u>4,653,132</u> | <u>13,546,000</u> | <u>688,405</u> |
| Government-wide total | \$ <u>43,113,041</u> | <u>5,788,562</u> | <u>6,436,863</u> | <u>42,464,740</u> | <u>2,498,448</u> |

Debt service requirements at September 30, 2008 were as follows:

| Fiscal Year Ended September 30, <u>2008</u> | <u>Governmental Activities</u> | | | | | | | |
|--|---------------------------------------|-----------------|-----------------------------|------------------|--|------------------|-------------------|-------------------|
| | General Obligation Bonds | | Limited Obligation Bonds | | Capital Leases, Notes Payable and State Grants | | Total | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 502,000 | 151,052 | 484,000 | 674,869 | 759,608 | 443,238 | 1,745,608 | 1,269,159 |
| 2010 | 413,000 | 135,064 | 512,000 | 649,669 | 703,702 | 415,397 | 1,628,702 | 1,200,130 |
| 2011 | 444,000 | 119,844 | 527,000 | 621,750 | 715,800 | 388,292 | 1,686,800 | 1,129,886 |
| 2012 | 450,000 | 104,286 | 539,000 | 593,279 | 743,893 | 362,665 | 1,732,893 | 1,060,230 |
| 2013 | 375,000 | 88,310 | 570,000 | 565,469 | 772,671 | 335,578 | 1,717,671 | 989,357 |
| 2014-2018 | 1,500,000 | 210,501 | 3,303,500 | 2,415,146 | 3,861,289 | 1,273,305 | 8,664,789 | 3,898,952 |
| 2019-2023 | 250,000 | 5,937 | 4,268,500 | 1,470,730 | 4,529,478 | 503,655 | 9,047,978 | 1,980,322 |
| 2024-2028 | <u>-</u> | <u>-</u> | <u>2,050,000</u> | <u>360,891</u> | <u>340,258</u> | <u>6,962</u> | <u>2,390,258</u> | <u>367,853</u> |
| | <u>\$ 3,934,000</u> | <u>814,994</u> | <u>12,254,000</u> | <u>7,351,803</u> | <u>12,426,699</u> | <u>3,729,092</u> | <u>28,614,699</u> | <u>11,895,889</u> |

| Fiscal Year Ended September 30, <u>2008</u> | <u>Business-Type Activities</u> | | | | | |
|--|--|------------------|------------------|-----------------|-------------------|------------------|
| | Revenue Bonds | | Notes Payable | | Total | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 440,000 | 463,488 | 246,877 | 119,443 | 686,877 | 582,931 |
| 2010 | 480,000 | 438,368 | 257,876 | 110,039 | 737,876 | 548,407 |
| 2011 | 495,000 | 416,888 | 267,743 | 99,683 | 762,743 | 516,571 |
| 2012 | 525,000 | 395,013 | 252,995 | 89,710 | 777,995 | 484,723 |
| 2013 | 555,000 | 371,813 | 165,561 | 81,081 | 720,561 | 452,894 |
| 2014-2018 | 3,220,000 | 1,462,151 | 750,551 | 320,628 | 3,970,551 | 1,782,779 |
| 2019-2023 | 4,095,000 | 673,709 | 934,569 | 151,906 | 5,029,569 | 825,615 |
| 2024-2028 | <u>625,000</u> | <u>27,017</u> | <u>212,966</u> | <u>4,792</u> | <u>837,966</u> | <u>31,809</u> |
| | <u>\$ 10,435,000</u> | <u>4,248,447</u> | <u>3,089,138</u> | <u>977,282</u> | <u>13,524,138</u> | <u>5,225,729</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Bonds and notes payable at September 30, 2008 are comprised of the following individual issues:

General Obligation Bonds:

| | |
|--|---------------------|
| \$4,461,000 2002 Refunding Bonds due in annual installments of \$190,000 to \$494,000 payable on 3-1 of each year through 3-1-2015; and interest at 3.75% to 5.00% payable on 3-1 and 9-1 of each year. | \$ 1,754,000 |
| \$3,250,000 1999 Roadway Improvement Bonds due in annual installments of \$95,000 to \$250,000 payable on 1-1 of each year through 1-1-2019; and interest at 4.25% to 4.75% payable on 1-1 and 7-1 of each year. | <u>2,180,000</u> |
| | \$ <u>3,934,000</u> |

Revenue Bonds:

| | |
|--|----------------------|
| \$4,255,000 Mississippi Development Bank Special Obligation Bonds, Series 2007, due in annual installments beginning 11-1-2008 with the annual principal payments increasing to a final payment of \$305,000 due 11-1-2024; and interest at 4.00% to 4.375% is payable on 5-1 and 11-1 of each year. | \$ 4,255,000 |
| \$8,200,000 1998 Combined Water and Sewer System Revenue Bonds due in annual installments of \$160,000 beginning 6-1-99 with the annual principal payments increasing to a final payment of \$590,000 due 6-1-2023; and interest at 5.50% payable on 6-1 and 12-1 of each year. | <u>6,180,000</u> |
| | \$ <u>10,435,000</u> |

Limited Obligation Bonds:

| | |
|--|-----------|
| \$132,000 1995 Tax Increment Limited Obligation Bonds due in annual installments of \$6,000 to \$12,000; and interest at 6.00% payable on 4-1 of each year through April 2010. | \$ 24,000 |
|--|-----------|

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds - continued:

| | |
|---|-----------|
| \$112,000 1999 Tax Increment Financing Bonds due in annual installments of \$6,000 to \$14,000; and interest at 7.125% payable on 4-1 of each year through April 2011. | \$ 38,000 |
| \$380,000 2001 Tax Increment Financing Bond due in annual installments of \$5,000 to \$36,000 payable on 4-1-2007 through 4-1-2021; and interest at 4.52% payable on 10-1 and 4-1 of each year beginning with 10-1-2006 and ending with 4-1-2021. | 362,000 |
| \$4,005,000 2001 Tax Increment Financing Bond due in annual installments of \$55,000 to \$320,000 payable 4-1-2004 through 4-1-2023; and interest varying annually from 4.85% to 6.40% payable on 10-1 and 4-1 of each year beginning with 10-1-2001 and ending with 4-1-2023. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually. | 3,425,000 |
| \$4,375,000 2004 Tax Increment Financing Bond due in annual installments of \$90,000 to \$350,000 payable 11-1-2004 through 11-1-2023; and interest varying annually from 4.85% to 6.40% payable on 5-1 and 11-1 of each year beginning with 11-1-2004 and ending with 11-1-2026. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually. | 4,165,000 |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds - continued:

\$2,750,000 2004 Tax Increment Financing Bond due in annual installments of \$75,000 to \$245,000 payable 5-1-2007 through 5-1-2026; and interest varying annually from 4.85% to 6.40% payable on 5-1 and 11-1 of each year beginning with 5-1-2007 and ending with 5-1-2026. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually.

\$ 2,595,000

\$1,695,000 2006 Tax Increment Financing Bond due in annual installments of \$110,000 to \$380,000 payable 5-1-2009 through 5-1-2026; and interest varying annually from 3.70% to 4.50% payable 5-1 and 11-1 of each year beginning with 5-1-2009 and ending with 5-1-2026. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually.

1,645,000

\$ 12,254,000

Notes:

\$6,550,000 Mississippi Development Bank Special Obligation Bonds, Refunding Project Series 2003. The funds were used to refund Mississippi Development Bank Special Obligation Bonds Series 1999A and 2001A used to construct the City's library facility (\$4,500,000 original amount) and to fund improvements to the City's sewage system (\$2,700,000 original amount). The

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Notes - continued:

bonds are payable in annual installments of \$245,000 to \$515,000 on 10-1 of each year for the years 10-1-2006 through 10-1-2023; and interest at 2.45% to 5.00% payable on 4-1 and 4-1 of each year. The outstanding bonds are being funded as follows at September 30, 2008:

| | | |
|-------------------------------|------------------|--------------|
| General Fund | \$ 3,548,165 | |
| Water & Sewer Enterprise Fund | <u>2,501,835</u> | \$ 6,050,000 |

Note payable to the Mississippi Department of Economic and Community Development (DECD) under DECD's Capital Improvements Loan Program. The note is due in monthly installments starting in May 1998 through April 2013 with interest at 3.70%. The note is to be paid by the City's Water and Sewer Enterprise Fund.

350,044

Note payable to the Mississippi Development Bank on a \$7,000,000 loan funded from proceeds of Special Obligation Bonds, Series 1999A. The funds are being expended on various municipal capital projects primarily for the acquisition of land to be used for the construction of ball fields and street improvement projects. The note is due in monthly installments over a 20-year period ending in 2023. Interest is at a variable rate based on the TBMA Municipal Swap Index (2.28% at 9-30-08) plus 1.20%.

5,676,866

Note payable to the Mississippi Development Bank on a \$3,000,000 loan funded from proceeds of Special Obligation Bonds, Series 1999A. The funds are being expended on various municipal capital projects primarily for the construction of ball fields and street improvement projects. The note is due in monthly installments over a 20-year period ending in 2023. Interest is at a variable rate based on the TBMA Municipal Swap Index (2.28% at 9-30-08) plus 1.20%.

2,713,012

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Notes - continued:

Note payable to the Mississippi Development Bank on a \$3,000,000 loan funded from proceeds of Special Obligation Bonds, Series 2001. The funds are being expended on various municipal capital projects primarily for street improvement projects. The note is due in monthly installments over a 10-year period ending in 2013. Interest is at a variable rate based on the TBMA Municipal Swap Index (2.28% at 9-30-08) plus 1.20%. Additional funds in the amount of \$2,580,745 are available to draw down on this loan. \$ 381,141

Note payable to the Mississippi Department of Economic and Community Development (DECD) under DECD's Capital Improvements Loan Program. The note is due in monthly installments starting in July 1997 through June 2012 with interest at 3.70%. The note is to be paid by the City's Water and Sewer Enterprise Fund. 237,259

Note payable to DECD under DECD's Capital Improvements Loan Program. The proceeds of the note were used to purchase a fire truck. The note is due in monthly installments of \$1,429 starting 2-1-1996 through 2-1-2011 with interest at 4.25%. The note is to be paid by the City's General Fund. 28,303

\$ 15,436,625

Capital leases:

\$228,668 Capital lease obligation to First Continental Leasing on the purchase of nine police vehicles, due April each year in annual installments of \$82,354 including interest at 3.90% through April 2009. \$ 79,212

\$ 79,212

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2008:

Advances

Advances to/from other funds at September 30, 2008 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------|---------------------------------|---------------------|
| General Fund | Bridge and Street Improvements | \$ 1,751,338 |
| | City-Wide Debt Service | 286,598 |
| | Water and Sewer Enterprise Fund | 1,516,247 |
| | Special revenue | 131,980 |
| Nonmajor Governmental Funds | General Fund | 178,914 |
| | Recreation and Tourism Special | 617,663 |
| Recreational and Tourism | Golf Course Enterprise Fund | 281,675 |
| Golf Course Enterprise Fund | General Fund | 33,829 |
| City-Wide Debt Service | General Fund | 438,048 |
| | Water and Sewer Enterprise Fund | 324,820 |
| | Recreation and Tourism Special | |
| | Tax Fund | 590,000 |
| | City-Wide Debt Service | 34,447 |
| | Nonmajor governmental funds | 1,100 |
| Bridge and Street Improvements | General Fund | <u>264,176</u> |
| | | <u>\$ 6,450,835</u> |

The above interfund balances resulted from the time lag between the dates that reimbursable expenses occur and payments between the funds are made. The balances are expected to be paid within one year.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES - CONTINUED:

Transfers

Operating transfer in/out from other funds at September 30, 2008 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|--------------------------------|---------------------|
| City-Wide Debt Service | General Fund | \$ 1,022,387 |
| | Recreational and Tourism | |
| | Special Tax Fund | 200,000 |
| | Bridge and street improvements | 352,939 |
| | Non major governmental funds | 12,878 |
| Golf Course Enterprise Fund | Recreational and Tourism | |
| | Special Tax Fund | <u>370,000</u> |
| | | <u>\$ 1,958,204</u> |

Transfers are used to: (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, (2) move receipts identified for debt service from the funds collecting the receipts to the Debt Service Funds to make debt service payments when they become due.

NOTE 10 - CONTINGENT LIABILITIES

Grant Audits

The City receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursements for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLAN

PERS

The City of Flowood contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 rate for the period October 1, 2007 - September 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost: For fiscal year 2008, the City's annual pension cost of \$808,842 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuations. The valuation method used amortizes unfunded employer liabilities over a closed 30 year period from September 30, 1990 as a level percent of each municipality's assessed property valuation. The actuarial assumptions included: (a) 8.00% investment rate of return (net of investment expenses), (b) 6.00% annual salary increases, and (c) 3.75% per year cost of living adjustments. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5 year period (smoothed market value).

Three-Year Trend Information for PERS

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| 9/30/2006 | \$ 592,624 | 100% | - |
| 9/30/2007 | 688,896 | 100% | - |
| 9/30/2008 | 808,842 | 100% | - |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 12 - GENERAL OBLIGATION BONDS, 1992 ROAD IMPROVEMENT ISSUE

In April 1992, the City issued General Obligation Bonds in the amount of \$2,500,000 to provide funds for the construction of an access road connecting to U.S. 49 at the intersection of U.S. 49 and U.S. 80, and extending north to intersect with State Route 468. The bonds were authorized by Sections 21-33-301 through 21-33-329, Mississippi Code of 1972.

Prior to the issuance of the bonds, the City entered into an Interlocal Agreement with the Board of Supervisors of Rankin County, Mississippi whereby the County agreed to repay 60% of the general obligation bonds with 40% to be repaid by the City. Pursuant to State of Mississippi House Bill No. 1509, the City may exclude from the outstanding general obligation indebtedness, for purposes of computing the limitation of indebtedness imposed upon the City by law, the 60% of the general obligation bonds being serviced by Rankin County, Mississippi.

On April 1, 2002, the City issued \$5,460,000 in General Obligation Bonds, of which a portion of the proceeds was used to refund the outstanding 1992 General Obligation Bonds in the amount of \$1,665,000. The remaining obligation attributable to Rankin County in the amount of \$588,000 is not included in the General Long-Term Debt Account Group of the entity.

NOTE 13 - PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On September 30, 2008, \$230,000 of bonds outstanding are considered defeased.

NOTE 14 - RISK MANAGEMENT

The City has pending legal claims incurred in the normal course of operations that in the opinion of City officials can be disposed of without material adverse effect on the financial position or results of operations of the City. In addition, 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. The City participates in State insurance funds for risks of loss for all liability and workers' compensation insurance. Settled claims resulting from these risks have not exceeded State insurance coverage in any of the past three fiscal years.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 14 - RISK MANAGEMENT - CONTINUED:

The City has joined with other municipalities to pool its risk as a member of the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Pool, both of which are public entity risk pools. The City pays annual premiums to the liability plan and quarterly premiums to the pool for its workers' compensation coverage. The agreements establishing the pools provides that the pools will be self-sustaining through member premiums.

NOTE 15 - HEALTH SELF-INSURANCE PLAN

The City has established a Risk Pool Agreement authorized by Section 25-15-101 of the Mississippi Code to be self-insured for its employee group health and dental plan. The City contributes approximately \$522.42 per month, per employee, to the plan to cover each employee, and each employee, at their option, authorized payroll withholdings to pay contributions for dependent coverage. The City's monthly premiums to cover all employees have been expensed in the General Fund and the Water and Sewer Enterprise Fund in the same manner as the employees' salary.

The City has contracted with a third party administrator to act on behalf of the City in the administration of the plan. The administrator is to perform enrollment and underwriting functions and to audit, process and pay all medical expense claims of the plan. Provisions for administrative fees and stop loss premiums are included in the contractual provisions. The administrative contract can be terminated upon ninety days written notice.

An excess loss insurance policy issued by Standard Life Insurance Company is in effect to reimburse the City for claims for any covered person in excess of \$30,000 incurred and paid during the policy year. In addition, the policy will reimburse the City if total losses for the policy year exceed the annual aggregate attachment point (AAAP). The AAAP is an amount equal to the product of an aggregate monthly factor times the number of covered individuals.

For the fiscal year ended September 30, 2008, the City was reimbursed \$47,304 for losses in excess of \$30,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at September 30, 2008 is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 15 - HEALTH SELF-INSURANCE PLAN - CONTINUED:

reported. Because actual claims liabilities depend on numerous complex factors, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in this claims liability during fiscal years 2006 through 2008 were as follows:

| | Balance at Beginning of <u>Fiscal Year</u> | Current Year Claims and Changes in <u>Estimates</u> | Claims <u>Payments</u> | Balance at End of <u>Fiscal Year</u> |
|-----------|---|--|---------------------------|--|
| 2005-2006 | \$ 43,884 | 540,609 | 521,242 | 63,251 |
| 2006-2007 | 63,251 | 1,149,009 | 1,090,340 | 121,920 |
| 2007-2008 | 121,920 | 1,049,346 | 948,343 | 222,923 |

NOTE 16 - COMMITMENTS

At September 30, 2008, the City had entered into various contracts to acquire and construct municipal facilities as follows:

| <u>Project</u> | <u>Type Contract</u> | <u>Contract Amount</u> | <u>Cost Incurred Through September 30, 2008</u> | <u>Balance Outstanding</u> |
|---|--------------------------|----------------------------|---|--------------------------------|
| Highway 468 Environmental Project | Engineering | \$ 528,853 | 444,925 | 83,928 |
| Hogg Creek Interceptor | Engineering | \$ 424,300 | 216,821 | 207,479 |
| Water and wastewater systems master plan | Engineering | <u>515,400</u> | <u>248,758</u> | <u>266,642</u> |
| | | \$ <u>1,468,553</u> | <u>910,504</u> | <u>558,049</u> |

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 17 - BRIDGE AND STREET IMPROVEMENTS FUND DEFICIT

The City's Bridge and Street Improvement Fund has a fund deficit in the amount of \$(1,736,407) as reported on the Governmental Funds balance sheet at September 30, 2008. The Bridge and Street Improvement Fund is used to account for financial resources to be used for the construction of bridges and streets. The deficit results primarily from a road improvement project on Wirtz Road in the City. The City has plans to issue special assessment bonds to finance the project upon completion. It is anticipated the City will issue the bonds during the fiscal year ending September 30, 2009 at which time the fund deficit will be satisfied.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Current year ad valorem | \$ 1,906,750 | 1,906,750 | 2,152,175 | 245,425 |
| Prior years ad valorem | 15,000 | 15,000 | 13,900 | (1,100) |
| Interest and penalties | 9,000 | 9,000 | 14,981 | 5,981 |
| Franchise fees | 400,000 | 400,000 | 356,641 | (43,359) |
| Licenses and permits | 265,000 | 450,000 | 552,819 | 102,819 |
| Intergovernmental | 8,786,000 | 8,618,000 | 9,406,138 | 788,138 |
| Charges for services | 20,000 | 20,000 | 15,946 | (4,054) |
| Fines and forfeits | 1,100,000 | 1,100,000 | 1,137,570 | 37,570 |
| Interest earned | 65,000 | 120,000 | 364,881 | 244,881 |
| Miscellaneous | <u>150,000</u> | <u>150,000</u> | <u>173,959</u> | <u>23,959</u> |
| Total revenues | <u>12,716,750</u> | <u>12,788,750</u> | <u>14,189,010</u> | <u>1,400,260</u> |
| EXPENDITURES: | | | | |
| General government | 1,340,100 | 1,420,100 | 1,300,979 | 119,121 |
| Public safety | 7,548,076 | 7,911,300 | 7,720,275 | 191,025 |
| Court | 753,350 | 754,350 | 555,876 | 198,474 |
| Public property maintenance | 644,235 | 693,235 | 638,549 | 54,686 |
| Sanitation | 195,750 | 195,750 | 183,993 | 11,757 |
| Health | 67,500 | 83,500 | 54,673 | 28,827 |
| Street maintenance | 1,071,000 | 1,071,000 | 915,539 | 155,461 |
| Recreation | 831,300 | 831,300 | 585,451 | 245,849 |
| Shop and maintenance | 412,450 | 412,450 | 393,924 | 18,526 |
| Landscape | <u>297,000</u> | <u>297,000</u> | <u>248,188</u> | <u>48,812</u> |
| Total expenditures | <u>13,160,761</u> | <u>13,669,985</u> | <u>12,597,447</u> | <u>1,072,538</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(444,011)</u> | <u>(881,235)</u> | <u>1,591,563</u> | <u>2,472,798</u> |
| Other financing sources (uses): | | | | |
| Operating transfers out | <u>(4,990,000)</u> | <u>(4,990,000)</u> | <u>(790,000)</u> | <u>4,200,000</u> |
| Total financing sources(uses) | <u>(4,990,000)</u> | <u>(4,990,000)</u> | <u>(790,000)</u> | <u>4,200,000</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | (5,434,011) | (5,871,235) | 801,563 | 6,672,798 |
| Fund balance at beginning of year | <u>9,290,158</u> | <u>9,290,158</u> | <u>9,290,158</u> | - |
| Fund balance at end of year | \$ <u>3,856,147</u> | <u>3,418,923</u> | <u>10,091,721</u> | <u>6,672,798</u> |

CITY OF FLOWOOD, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:

| | |
|--|-----------------------------|
| Fund balance - budgetary basis | \$ 10,091,721 |
| Adjustment to GAAP basis: | |
| Add accrued revenue: | |
| Ad valorem taxes | 70,235 |
| Intergovernmental | 723,898 |
| Police fines | 36,008 |
| Interest | 14,964 |
| Prepaid expenses | 44,016 |
| Less: accounts payable paid after October 30, 2008 | <u>(121,810)</u> |
| Fund balance - GAAP basis | \$ <u>10,859,032</u> |

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------------|------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| General government: | | | | |
| Personal services | \$ 700,000 | 700,000 | 608,396 | 91,604 |
| Supplies | 40,100 | 40,100 | 37,355 | 2,745 |
| Other services and charges | 570,000 | 650,000 | 646,743 | 3,257 |
| Capital outlay | <u>30,000</u> | <u>30,000</u> | <u>8,485</u> | <u>21,515</u> |
| Total general government | <u>1,340,100</u> | <u>1,420,100</u> | <u>1,300,979</u> | <u>119,121</u> |
| Public safety: | | | | |
| Police: | | | | |
| Personal services | 2,770,000 | 2,900,000 | 2,866,090 | 33,910 |
| Supplies | 198,200 | 280,000 | 263,002 | 16,998 |
| Other services and charges | 302,400 | 375,000 | 316,624 | 58,376 |
| Capital outlay | <u>138,300</u> | <u>138,300</u> | <u>131,965</u> | <u>6,335</u> |
| Total police | <u>3,408,900</u> | <u>3,693,300</u> | <u>3,577,681</u> | <u>115,619</u> |
| Fire: | | | | |
| Personal services | 2,978,000 | 2,978,000 | 2,966,554 | 11,446 |
| Supplies | 150,000 | 195,000 | 174,344 | 20,656 |
| Other services and charges | 236,408 | 260,000 | 222,740 | 37,260 |
| Capital outlay | <u>774,768</u> | <u>785,000</u> | <u>778,956</u> | <u>6,044</u> |
| Total fire | <u>4,139,176</u> | <u>4,218,000</u> | <u>4,142,594</u> | <u>75,406</u> |
| Total public safety | <u>7,548,076</u> | <u>7,911,300</u> | <u>7,720,275</u> | <u>191,025</u> |
| Court: | | | | |
| Personal services | 415,000 | 415,000 | 337,232 | 77,768 |
| Supplies | 10,300 | 11,300 | 8,238 | 3,062 |
| Other services and charges | 313,050 | 313,050 | 196,607 | 116,443 |
| Capital outlay | <u>15,000</u> | <u>15,000</u> | <u>13,799</u> | <u>1,201</u> |
| Total court | <u>753,350</u> | <u>754,350</u> | <u>555,876</u> | <u>198,474</u> |
| Public property maintenance: | | | | |
| Personal services | 47,000 | 47,000 | 47,000 | - |
| Supplies | 8,500 | 25,000 | 21,934 | 3,066 |
| Other services and charges | 287,500 | 320,000 | 318,892 | 1,108 |
| Capital outlay | <u>301,235</u> | <u>301,235</u> | <u>250,723</u> | <u>50,512</u> |
| Total public property maintenance | <u>644,235</u> | <u>693,235</u> | <u>638,549</u> | <u>54,686</u> |
| Sanitation: | | | | |
| Personal services | - | - | - | - |
| Supplies | - | - | - | - |

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Budgeted Amounts</u> | | Actual | Variance |
|--------------------------------|-----------------------------|--------------------------|---------------------------------|--|
| | <u>Original</u> | <u>Final</u> | Amounts (Budgetary Basis) | with Final Budget Positive (Negative) |
| Sanitation - continued: | | | | |
| Other services and charges | \$ 195,750 | 195,750 | 183,993 | 11,757 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total sanitation | <u>195,750</u> | <u>195,750</u> | <u>183,993</u> | <u>11,757</u> |
| Health: | | | | |
| Personal services | 15,000 | 15,000 | 8,173 | 6,827 |
| Supplies | 51,000 | 67,000 | 46,500 | 20,500 |
| Other services and charges | 1,500 | 1,500 | - | 1,500 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total health | <u>67,500</u> | <u>83,500</u> | <u>54,673</u> | <u>28,827</u> |
| Street maintenance: | | | | |
| Personal services | 920,000 | 920,000 | 878,775 | 41,225 |
| Supplies | 50,000 | 50,000 | - | 50,000 |
| Other services and charges | 92,000 | 92,000 | 36,764 | 55,236 |
| Capital outlay | <u>9,000</u> | <u>9,000</u> | <u>-</u> | <u>9,000</u> |
| Total street maintenance | <u>1,071,000</u> | <u>1,071,000</u> | <u>915,539</u> | <u>155,461</u> |
| Recreation: | | | | |
| Personal services | 425,000 | 425,000 | 394,123 | 30,877 |
| Supplies | 118,475 | 118,475 | 69,520 | 48,955 |
| Other services and charges | 133,900 | 133,900 | 93,802 | 40,098 |
| Capital outlay | <u>153,925</u> | <u>153,925</u> | <u>28,006</u> | <u>125,919</u> |
| Total recreation | <u>831,300</u> | <u>831,300</u> | <u>585,451</u> | <u>245,849</u> |
| Shop: | | | | |
| Personal services | 160,000 | 160,000 | 152,070 | 7,930 |
| Supplies | 169,950 | 169,950 | 169,895 | 55 |
| Other services and charges | 57,500 | 57,500 | 52,106 | 5,394 |
| Capital outlay | <u>25,000</u> | <u>25,000</u> | <u>19,853</u> | <u>5,147</u> |
| Total shop | <u>412,450</u> | <u>412,450</u> | <u>393,924</u> | <u>18,526</u> |
| Landscape | | | | |
| Personal services | 200,000 | 200,000 | 186,481 | 13,519 |
| Supplies | 62,000 | 62,000 | 50,138 | 11,862 |
| Other services and charges | 33,000 | 33,000 | 10,621 | 22,379 |
| Capital outlay | <u>2,000</u> | <u>2,000</u> | <u>948</u> | <u>1,052</u> |
| Total landscape | <u>297,000</u> | <u>297,000</u> | <u>248,188</u> | <u>48,812</u> |
| Total expenditures | \$ <u>13,160,761</u> | <u>13,669,985</u> | <u>12,597,447</u> | <u>1,072,538</u> |

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RECREATION AND TOURISM SPECIAL TAX FUND
YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|--------------------|-------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with</u> |
| | | | <u>(Budgetary</u> | <u>Final Budget</u> |
| | | | <u>Basis)</u> | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES: | | | | |
| Intergovernmental | \$ 1,450,000 | 1,450,000 | 1,382,486 | (67,514) |
| Interest earned | <u>50,000</u> | <u>50,000</u> | <u>33,344</u> | <u>(16,656)</u> |
| Total revenues | <u>1,500,000</u> | <u>1,500,000</u> | <u>1,415,830</u> | <u>(84,170)</u> |
| EXPENDITURES | | | | |
| Recreation: | | | | |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,500,000 | 1,500,000 | 1,415,830 | (84,170) |
| Other financing sources (uses): | | | | |
| Operating transfers out | <u>(1,390,000)</u> | <u>(1,390,000)</u> | <u>(570,000)</u> | <u>820,000</u> |
| Excess (deficiency) of revenues over (under) expenditures and other uses | 110,000 | 110,000 | 845,830 | 735,830 |
| Fund balance at beginning of year | <u>1,587,531</u> | <u>1,587,531</u> | <u>1,587,531</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,697,531</u> | <u>1,697,531</u> | <u>2,433,361</u> | <u>735,830</u> |

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

| | |
|---------------------------------------|---------------------|
| Fund balance - budgetary basis | \$ 2,433,361 |
| Adjustment to GAAP basis: | |
| Add accrued sales tax revenue | <u>100,125</u> |
| Fund balance - GAAP basis | <u>\$ 2,533,486</u> |

COMBINING FINANCIAL STATEMENTS

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING BALANCE SHEET
CITY-WIDE DEBT SERVICE
SEPTEMBER 30, 2008**

| | General Obligation Bonds | | |
|--|---|-----------------------------------|--|
| | 1988 Public Improvement <u>Bonds</u> | 2002 Refunding <u>Bonds</u> | 1999 Roadway Improvement <u>Bonds</u> |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 52,287 | 327,313 | 543,263 |
| Receivables (net of allowance for uncollectibles - where applicable): | | | |
| Taxes | 1,877 | 5,631 | 6,569 |
| Interest | - | - | - |
| Special assessments: | | | |
| Current | - | - | - |
| Due from other funds | 34,072 | 296,379 | 375 |
| Due from other governments | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>88,236</u> | <u>629,323</u> | <u>550,207</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Deferred revenue | - | - | - |
| Funds held for others | - | 40,000 | - |
| Due to other funds | 55,845 | 1,090 | 460 |
| Total liabilities | <u>55,845</u> | <u>41,090</u> | <u>460</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Debt service | 32,391 | 588,233 | 549,747 |
| Total fund balances | <u>32,391</u> | <u>588,233</u> | <u>549,747</u> |
| Total liabilities and fund balances | <u>\$ 88,236</u> | <u>629,323</u> | <u>550,207</u> |

| Special Assessment Bonds | | Limited Obligation Bonds | | | | | | State Loans and Grants | | | |
|--|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|--|---------------------------------------|------------------------------------|---|------------------------------|
| 1984 N. Flowood Fire District Improvements | 1986 Special Improvements Pollution Abatement | 1995 Tax Increment Financing Bonds | 1999 Tax Increment Financing Bonds | 2001 Tax Increment Financing Bonds | 2002 Tax Increment Financing Bonds | 2004 Tax Increment Financing Bonds/Dogwood Promenade Project | 2004 and 2006 Tax Increment Financing Bonds/Lakeland Commons Project | \$13,000,000 Capital Improvement Loan | \$190,000 Capital Improvement Loan | Mississippi Development Bank Special Obligation Bonds Series 2003 | Total City-Wide Debt Service |
| 215,569 | 70,029 | - | - | 7,157 | 556,898 | 270,396 | 355,507 | - | - | 226,722 | 2,625,141 |
| - | - | - | - | 2,625 | 13,306 | 5,612 | 7,597 | 7,883 | - | 3,754 | 54,854 |
| - | - | - | - | - | 890 | - | - | - | - | - | 890 |
| - | 3,662 | - | - | - | - | - | - | - | - | - | 3,662 |
| 196,109 | 26,300 | 21,296 | 57,138 | - | 770 | 1,768 | 63 | 609,474 | - | 144,671 | 1,388,415 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,430,121</u> | <u>2,576,085</u> | <u>2,656,991</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,663,197</u> |
| <u>411,678</u> | <u>99,991</u> | <u>21,296</u> | <u>57,138</u> | <u>9,782</u> | <u>3,001,985</u> | <u>2,853,861</u> | <u>3,020,158</u> | <u>617,357</u> | <u>-</u> | <u>375,147</u> | <u>11,736,159</u> |
| - | - | - | - | - | 2,430,121 | 2,576,085 | 2,656,991 | - | - | - | 7,663,197 |
| - | - | 10,022 | - | - | - | - | - | - | - | - | 50,022 |
| <u>-</u> | <u>3,760</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>299,438</u> | <u>391,593</u> |
| <u>-</u> | <u>3,760</u> | <u>10,022</u> | <u>-</u> | <u>-</u> | <u>2,430,121</u> | <u>2,607,085</u> | <u>2,656,991</u> | <u>-</u> | <u>-</u> | <u>299,438</u> | <u>8,104,812</u> |
| <u>411,678</u> | <u>96,231</u> | <u>11,274</u> | <u>57,138</u> | <u>9,782</u> | <u>571,864</u> | <u>246,776</u> | <u>363,167</u> | <u>617,357</u> | <u>-</u> | <u>75,709</u> | <u>3,631,347</u> |
| <u>411,678</u> | <u>96,231</u> | <u>11,274</u> | <u>57,138</u> | <u>9,782</u> | <u>571,864</u> | <u>246,776</u> | <u>363,167</u> | <u>617,357</u> | <u>-</u> | <u>75,709</u> | <u>3,631,347</u> |
| <u>411,678</u> | <u>99,991</u> | <u>21,296</u> | <u>57,138</u> | <u>9,782</u> | <u>3,001,985</u> | <u>2,853,861</u> | <u>3,020,158</u> | <u>617,357</u> | <u>-</u> | <u>375,147</u> | <u>11,736,159</u> |

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY-WIDE DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | General Obligation Bonds | | |
|---|---|--|--|
| | 1988 Public Improvement <u>Bonds</u> | 2002 Refunding Bonds <u>Bonds</u> | 1999 Roadway Improvement <u>Bonds</u> |
| REVENUES: | | | |
| Taxes: | | | |
| Current year ad valorem | \$ 82,170 | 246,511 | 287,595 |
| Prior years ad valorem | 529 | 3,805 | 1,850 |
| Special assessment | - | - | - |
| Intergovernmental | 92 | 276 | 321 |
| Interest earned | 125 | 1,008 | 1,253 |
| Other | - | - | - |
| Total revenues | <u>82,916</u> | <u>251,600</u> | <u>291,019</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Debt service: | | | |
| Principal | 85,000 | 348,000 | 145,000 |
| Interest and other fiscal charges | <u>5,956</u> | <u>67,799</u> | <u>104,355</u> |
| Total expenditures | <u>90,956</u> | <u>415,799</u> | <u>249,355</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,040)</u> | <u>(164,199)</u> | <u>41,664</u> |
| Other financing sources (uses): | | | |
| Operating transfer in | - | 290,108 | 278,066 |
| Operating transfer out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>290,108</u> | <u>278,066</u> |
| Excess (deficiency) of revenues- and other sources over (under) expenditures and other uses | (8,040) | 125,909 | 319,730 |
| Fund balance at beginning of year | <u>40,431</u> | <u>462,324</u> | <u>230,017</u> |
| Fund balance at end of year | <u>\$ 32,391</u> | <u>588,233</u> | <u>549,747</u> |

| Special Assessment Bonds | | Limited Obligation Bonds | | | | | | State Loans and Grants | | | | Total City-Wide Debt Service |
|--|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|---|---------------------------------------|------------------------------------|---|------------------|------------------------------|
| 1984 N. Flowood Fire District Improvements | 1986 Special Improvements Pollution Abatement | 1995 Tax Increment Financing Bonds | 1999 Tax Increment Financing Bonds | 2001 Tax Increment Financing Bonds | 2002 Tax Increment Financing Bonds | 2004 Tax Increment Financing Bonds/Dogwood Promenade Project | 2004 and 2006 Tax Increment Financing Bonds/Lake-land Commons Project | \$13,000,000 Capital Improvement Loan | \$190,000 Capital Improvement Loan | Mississippi Development Bank Special Obligation Bonds Series 2003 | | |
| - | - | 10,022 | 29,059 | 26,397 | 168,390 | 162,635 | 201,802 | 345,114 | - | 164,340 | 1,724,035 | |
| - | - | - | - | - | - | - | - | - | - | 1,057 | 7,241 | |
| - | 24,296 | - | - | - | - | - | - | - | - | - | 24,296 | |
| - | - | - | - | - | 287,064 | 202,851 | 254,157 | 386 | - | 183 | 745,330 | |
| 539 | 154 | - | - | 24 | 15,504 | 407 | 690 | - | - | - | 19,704 | |
| - | <u>1,100</u> | - | - | - | - | - | - | - | - | - | <u>1,100</u> | |
| <u>539</u> | <u>25,550</u> | <u>10,022</u> | <u>29,059</u> | <u>26,421</u> | <u>470,958</u> | <u>365,893</u> | <u>456,805</u> | <u>345,500</u> | <u>-</u> | <u>165,580</u> | <u>2,521,706</u> | |
| - | - | 7,922 | 10,000 | 13,000 | 145,000 | 120,000 | 130,000 | 535,751 | 15,587 | 146,502 | 1,701,762 | |
| - | - | <u>2,100</u> | <u>3,620</u> | <u>16,950</u> | <u>198,484</u> | <u>226,565</u> | <u>293,337</u> | <u>295,426</u> | <u>1,565</u> | <u>149,551</u> | <u>1,365,708</u> | |
| - | - | <u>10,022</u> | <u>13,620</u> | <u>29,950</u> | <u>343,484</u> | <u>346,565</u> | <u>423,337</u> | <u>831,177</u> | <u>17,152</u> | <u>296,053</u> | <u>3,067,470</u> | |
| <u>539</u> | <u>25,550</u> | <u>-</u> | <u>15,439</u> | <u>(3,529)</u> | <u>127,474</u> | <u>19,328</u> | <u>33,312</u> | <u>(485,677)</u> | <u>(17,152)</u> | <u>(130,473)</u> | <u>(545,764)</u> | |
| - | - | - | - | 565 | - | - | 12,313 | 875,000 | 17,152 | 115,000 | 1,588,204 | |
| - | - | - | - | - | - | - | - | - | - | - | - | |
| - | - | - | - | <u>565</u> | - | - | <u>12,313</u> | <u>875,000</u> | <u>17,152</u> | <u>115,000</u> | <u>1,588,204</u> | |
| 539 | 25,550 | - | 15,439 | (2,964) | 127,474 | 19,328 | 45,625 | 389,323 | - | (15,473) | 1,042,440 | |
| <u>411,139</u> | <u>70,681</u> | <u>11,274</u> | <u>41,699</u> | <u>12,746</u> | <u>444,390</u> | <u>227,448</u> | <u>317,542</u> | <u>228,034</u> | <u>-</u> | <u>91,182</u> | <u>2,588,907</u> | |
| <u>411,678</u> | <u>96,231</u> | <u>11,274</u> | <u>57,138</u> | <u>9,782</u> | <u>571,864</u> | <u>246,776</u> | <u>363,167</u> | <u>617,357</u> | <u>-</u> | <u>75,709</u> | <u>3,631,347</u> | |

CITY OF FLOWOOD, MISSISSIPPI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

| | Special Revenue Funds | | | | |
|--|---------------------------------|-----------------------------------|---|---|----------------------------------|
| | State Gasoline <u>Tax</u> | Fire Protection <u>Fund</u> | Special Court Assessment <u>Fund</u> | Public Safety Grants <u>Fund</u> | Police Seizure <u>Fund</u> |
| | | | | | |
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ - | 81,761 | 487,415 | - | 310,010 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Grants | - | - | - | 21,041 | - |
| Due from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | \$ <u>-</u> | <u>81,761</u> | <u>487,415</u> | <u>21,041</u> | <u>310,010</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | - | - | - | - |
| Retainage payable | - | - | - | - | - |
| Funds held for others | - | - | - | - | - |
| Due to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,040</u> | <u>110,700</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,040</u> | <u>110,700</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Capital projects | - | - | - | - | - |
| Unreserved, undesignated in: | | | | | |
| Special revenue funds | <u>-</u> | <u>81,761</u> | <u>487,415</u> | <u>-</u> | <u>199,310</u> |
| Total fund balances | <u>-</u> | <u>81,761</u> | <u>487,415</u> | <u>-</u> | <u>199,310</u> |
| Total liabilities and fund balances | \$ <u>-</u> | <u>81,761</u> | <u>487,415</u> | <u>21,040</u> | <u>310,010</u> |

Capital Projects

| <u>YMCA Recreational Facilities</u> | <u>Lakeland Commons Project</u> | <u>Municipal Fire Complex Project</u> | <u>Lakeland Marketplace Project</u> | <u>Community Development Block Grant</u> | <u>NRCS Storm Drainage Project</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|---|---|---|--|--|--|
| - | - | - | - | 1,832 | - | 881,018 |
| - | - | - | - | - | 4,100 | 25,141 |
| <u>263,939</u> | <u>-</u> | <u>532,638</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>796,577</u> |
| <u>263,939</u> | <u>-</u> | <u>532,638</u> | <u>-</u> | <u>1,832</u> | <u>4,100</u> | <u>1,702,736</u> |
| - | - | - | - | - | 4,100 | 4,100 |
| 142,738 | - | - | - | - | - | 142,738 |
| - | - | - | - | 138 | - | 138 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,412</u> | <u>-</u> | <u>133,152</u> |
| <u>142,738</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,550</u> | <u>4,100</u> | <u>280,128</u> |
| 121,201 | - | 532,638 | - | - | - | 653,839 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>283</u> | <u>-</u> | <u>768,769</u> |
| <u>121,201</u> | <u>-</u> | <u>532,638</u> | <u>-</u> | <u>283</u> | <u>-</u> | <u>1,422,608</u> |
| <u>263,939</u> | <u>-</u> | <u>532,638</u> | <u>-</u> | <u>1,833</u> | <u>4,100</u> | <u>1,702,736</u> |

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Special Revenue Funds | | | | |
|--|---------------------------------|-----------------------------------|---|---|----------------------------------|
| | State Gasoline <u>Tax</u> | Fire Protection <u>Fund</u> | Special Court Assessment <u>Fund</u> | Public Safety Grants <u>Fund</u> | Police Seizure <u>Fund</u> |
| REVENUES: | | | | | |
| Intergovernmental | \$ 772,935 | 54,601 | - | 29,525 | - |
| Fines and forfeits | - | - | 185,421 | - | 199,350 |
| Interest earned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,255</u> |
| Total revenues | <u>772,935</u> | <u>54,601</u> | <u>185,421</u> | <u>29,525</u> | <u>201,605</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | - | 28,054 | 20,277 | 29,525 | 37,572 |
| Street maintenance | 772,935 | - | - | - | - |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>772,935</u> | <u>28,054</u> | <u>20,277</u> | <u>29,525</u> | <u>37,572</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>26,547</u> | <u>165,144</u> | <u>-</u> | <u>164,033</u> |
| Other financing sources (uses): | | | | | |
| Operating transfer in | - | - | - | - | - |
| Operating transfer out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | - | 26,547 | 165,144 | - | 164,033 |
| Fund balance at beginning of year | <u>-</u> | <u>55,214</u> | <u>322,271</u> | <u>-</u> | <u>35,277</u> |
| Fund balance at end of year | \$ <u>-</u> | <u>81,761</u> | <u>487,415</u> | <u>-</u> | <u>199,310</u> |

Capital Projects

| <u>YMCA Recreational Facilities</u> | <u>Lakeland Commons Project</u> | <u>Municipal Fire Complex Project</u> | <u>Lakeland Marketplace Project</u> | <u>Community Development Block Grant</u> | <u>NRCS Storm Drainage Project</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|---|---|---|--|--|--|
| - | - | - | - | - | 4,100 | 861,161 |
| - | - | - | - | - | - | 384,771 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53</u> | <u>-</u> | <u>2,308</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53</u> | <u>4,100</u> | <u>1,248,240</u> |
| - | - | - | - | - | - | 115,428 |
| - | - | - | - | - | - | 772,935 |
| <u>264,479</u> | <u>-</u> | <u>352,482</u> | <u>-</u> | <u>-</u> | <u>4,100</u> | <u>621,061</u> |
| <u>264,479</u> | <u>-</u> | <u>352,482</u> | <u>-</u> | <u>-</u> | <u>4,100</u> | <u>1,509,424</u> |
| <u>(264,479)</u> | <u>-</u> | <u>(352,482)</u> | <u>-</u> | <u>53</u> | <u>-</u> | <u>(261,184)</u> |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>(12,313)</u> | <u>-</u> | <u>(565)</u> | <u>-</u> | <u>-</u> | <u>(12,878)</u> |
| <u>-</u> | <u>(12,313)</u> | <u>-</u> | <u>(565)</u> | <u>-</u> | <u>-</u> | <u>(12,878)</u> |
| <u>(264,479)</u> | <u>(12,313)</u> | <u>(352,482)</u> | <u>(565)</u> | <u>53</u> | <u>-</u> | <u>(274,062)</u> |
| <u>385,680</u> | <u>12,313</u> | <u>885,120</u> | <u>565</u> | <u>230</u> | <u>-</u> | <u>1,696,670</u> |
| <u>121,201</u> | <u>-</u> | <u>532,638</u> | <u>-</u> | <u>283</u> | <u>-</u> | <u>1,422,608</u> |

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
YEAR ENDED SEPTEMBER 30, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 70,000 | 70,000 | 54,601 | (15,399) |
| Interest earned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>70,000</u> | <u>70,000</u> | <u>54,601</u> | <u>(15,399)</u> |
| EXPENDITURES: | | | | |
| Capital outlay | <u>70,000</u> | <u>70,000</u> | <u>28,054</u> | <u>41,946</u> |
| Total expenditures | <u>70,000</u> | <u>70,000</u> | <u>28,054</u> | <u>41,946</u> |
| Excess of revenues over (under) expenditures | - | - | 26,547 | 26,547 |
| Fund balance at beginning of year | <u>55,214</u> | <u>55,214</u> | <u>55,214</u> | - |
| Fund balance at end of year | <u>\$ 55,214</u> | <u>55,214</u> | <u>81,761</u> | <u>26,547</u> |
| EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE: | | | | |
| Fund balance - budgetary basis | | | \$ 81,761 | |
| Adjustment to GAAP basis | | | <u>-</u> | |
| Fund balance - GAAP basis | | | <u>\$ 81,761</u> | |

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
STATE GASOLINE TAX
YEAR ENDED SEPTEMBER 30, 2008

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|----------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Intergovernmental | \$ <u>782,000</u> | <u>782,000</u> | <u>772,935</u> | <u>(9,065)</u> |
| Total revenues | <u>782,000</u> | <u>782,000</u> | <u>772,935</u> | <u>(9,065)</u> |
| EXPENDITURES: | | | | |
| Street maintenance: | | | | |
| Supplies | 90,000 | 90,000 | 86,321 | 3,679 |
| Other services and charges | 660,000 | 660,000 | 655,942 | 4,058 |
| Capital outlay | <u>32,000</u> | <u>32,000</u> | <u>30,672</u> | <u>1,328</u> |
| Total expenditures | <u>782,000</u> | <u>782,000</u> | <u>772,935</u> | <u>9,065</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | - | - | - |

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

| | |
|---------------------------------------|------|
| Fund balance – budgetary basis | \$ - |
| Adjustment to GAAP basis | - |
| Fund balance – GAAP basis | \$ - |

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
SPECIAL COURT ASSESSMENT FUND
YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|----------------|---|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES: | | | | |
| Fines and forfeits | \$ <u>100,000</u> | <u>100,000</u> | <u>185,421</u> | <u>85,421</u> |
| Total revenues | <u>100,000</u> | <u>100,000</u> | <u>185,421</u> | <u>85,421</u> |
| EXPENDITURES: | | | | |
| Public safety: | | | | |
| Capital outlay | <u>222,723</u> | <u>222,723</u> | <u>20,277</u> | <u>202,446</u> |
| Total expenditures | <u>222,723</u> | <u>222,723</u> | <u>20,277</u> | <u>202,446</u> |
| Excess (deficiency) of revenues over (under) expenditures | (122,723) | (122,723) | 165,144 | 287,867 |
| Other financing sources (uses): | | | | |
| Operating transfers out | <u> -</u> | <u> -</u> | <u> -</u> | <u> -</u> |
| Total financing sources (uses) | <u> -</u> | <u> -</u> | <u> -</u> | <u> -</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | (122,723) | (122,723) | 165,144 | 287,867 |
| Fund balance at beginning of Year | <u>322,271</u> | <u>322,271</u> | <u>322,271</u> | <u> -</u> |
| Fund balance at end of year | \$ <u>199,548</u> | <u>199,548</u> | <u>487,415</u> | <u>287,867</u> |

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

| | |
|---------------------------------------|-------------------|
| Fund balance – budgetary basis | \$ 487,415 |
| Adjustment to GAAP basis | <u> -</u> |
| Fund balance – GAAP basis | \$ <u>487,415</u> |

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS FUND
YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Budgeted Amounts</u> | | Actual | Variance |
|--|-------------------------|---------------|---------------|---------------|
| | <u>Original</u> | <u>Final</u> | Amounts | with |
| | | | (Budgetary | Final Budget |
| | | | Basis) | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Intergovernmental | \$ <u>75,000</u> | <u>75,000</u> | <u>29,525</u> | (45,475) |
| Total revenues | <u>75,000</u> | <u>75,000</u> | <u>29,525</u> | (45,475) |
| EXPENDITURES: | | | | |
| Public safety: | | | | |
| Police: | | | | |
| Personal services | 20,000 | 25,000 | 21,106 | 3,894 |
| Supplies | 10,000 | 10,000 | 1,706 | 8,294 |
| Other services and charges | 10,000 | 10,000 | - | 10,000 |
| Capital outlay | <u>-</u> | <u>30,000</u> | <u>6,713</u> | <u>23,287</u> |
| Total expenditures | <u>40,000</u> | <u>75,000</u> | <u>29,525</u> | <u>45,475</u> |
| Excess (deficiency) of revenues over (under) expenditures | 35,000 | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>35,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

| | |
|---------------------------------------|-------------|
| Fund balance - budgetary basis | \$ - |
| Adjustment to GAAP basis: | |
| Add accrued grants receivable | <u>-</u> |
| Fund balance - GAAP basis | \$ <u>-</u> |

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
YEAR ENDED SEPTEMBER 30, 2008

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|----------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Fines and forfeits | \$ 100,000 | 100,000 | 199,350 | 99,350 |
| Interest earned | <u>-</u> | <u>-</u> | <u>2,255</u> | <u>2,255</u> |
| Total revenues | <u>100,000</u> | <u>100,000</u> | <u>201,605</u> | <u>101,605</u> |
| EXPENDITURES: | | | | |
| Public safety: | | | | |
| Capital outlay | <u>135,277</u> | <u>135,277</u> | <u>37,572</u> | <u>97,705</u> |
| Total expenditures | <u>135,277</u> | <u>135,277</u> | <u>37,572</u> | <u>97,705</u> |
| Excess (deficiency) of revenues over (under) expenditures | (35,277) | (35,277) | 164,033 | 199,310 |
| Fund balance at beginning of year | <u>35,277</u> | <u>35,277</u> | <u>35,277</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>-</u> | <u>-</u> | <u>199,310</u> | <u>199,310</u> |

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

| | |
|---------------------------------------|-------------------|
| Fund balance - budgetary basis | \$ 199,310 |
| Adjustment to GAAP basis | <u>-</u> |
| Fund balance - GAAP basis | \$ <u>199,310</u> |

SUPPLEMENTAL INFORMATION

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF OPERATIONS - ACTUAL AND BUDGET
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Budgetary Basis <u>Actual</u> | <u>Budget</u> | Variance Favorable (Unfavorable) |
|---|-------------------------------------|------------------|--|
| OPERATING REVENUES | | | |
| Water sales | \$ 1,967,499 | 1,850,000 | 117,499 |
| Sewer charges | 2,812,432 | 2,750,000 | 62,432 |
| Tap and connection fees | 472,813 | 650,000 | (177,187) |
| Miscellaneous | <u>30,977</u> | <u>25,000</u> | <u>5,977</u> |
| Total operating revenues | <u>5,283,721</u> | <u>5,275,000</u> | <u>8,721</u> |
| OPERATING EXPENSES: | | | |
| Personal services | 1,034,640 | 1,055,000 | 20,360 |
| Supplies | 373,843 | 388,500 | 14,657 |
| Other services and charges | <u>1,830,511</u> | <u>2,092,500</u> | <u>261,989</u> |
| Total operating expenses | <u>3,238,994</u> | <u>3,536,000</u> | <u>297,006</u> |
| Operating income before non-operating income | <u>2,044,727</u> | <u>1,739,000</u> | <u>305,727</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Interest income | 206,834 | 50,000 | 156,834 |
| Transfer in - Special Assessment | - | - | - |
| Bond interest and fiscal charges | <u>(446,251)</u> | <u>(450,000)</u> | <u>3,749</u> |
| Total non-operating expenses | <u>(239,417)</u> | <u>(400,000)</u> | <u>160,583</u> |
| INCOME | 1,805,310 | <u>1,339,000</u> | <u>466,310</u> |
| Depreciation expense | (1,043,258) | | |
| Capital contributions | - | | |
| Increase in receivables | (121,062) | | |
| Decrease in prepaids | (71) | | |
| Decrease in compensated absences | (4,132) | | |
| Decrease in accounts payable paid after October 30 | <u>(5,984)</u> | | |
| CHANGE IN NET ASSETS | \$ <u>630,803</u> | | |

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and, as such, does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2008**

| | <u>Assessed Value</u> | <u>Tax</u> |
|---|---------------------------|--------------------------------|
| ASSESSMENTS: | | |
| Per original rolls: | | |
| Realty | \$ 127,154,979 | |
| Personal - other than automobile | 38,897,967 | |
| Utilities | 9,736,444 | |
| Personal - automobile | <u>22,337,711</u> | |
| Total roll at 20.00 mills | \$ <u>198,127,101</u> | \$ 3,962,542 |
| Homestead reimbursement | | 3,674 |
| DEDUCT: | | |
| Homestead allowance | \$ (35,997) | |
| Commission on car tags | <u>(22,297)</u> | |
| | | <u>(58,294)</u> |
| | | \$ <u>3,907,922</u> |
| | <u>Taxes</u> | <u>Homestead Exemption</u> |
| COLLECTIONS: | <u>Total</u> | |
| Accounted for: | | |
| General Fund | \$ 2,161,069 | 2,416 |
| G. O. 1988 Public Improvement Bonds | 82,170 | 92 |
| G. O. 1999 Road Improvement Bonds | 287,595 | 321 |
| G. O. 2002 Refunding Bonds | 246,510 | 276 |
| 2003 Mississippi Development Bank Special Obligation Bonds | 164,340 | 184 |
| Mississippi Development Bank Loans | 345,114 | 386 |
| Limited Obligation Tax Increment Bonds | <u>598,305</u> | <u>-</u> |
| | <u>3,885,103</u> | <u>3,675</u> |
| | | \$ 3,888,778 |
| UNCOLLECTED: | | |
| Realty | | 3,681 |
| Personal | | 6,876 |
| UNDER (OVER) COLLECTIONS | | <u>8,587</u> |
| Total accounted for | | \$ <u>3,907,922</u> |

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF TEMPORARY CASH INVESTMENTS
AND INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2008**

| | <u>Date</u> <u>Issued</u> | <u>Date</u> <u>Matures</u> | <u>Interest</u> <u>Rate</u> | <u>Amount</u> |
|---------------------------------------|------------------------------|-------------------------------|--------------------------------|-------------------------|
| <u>GENERAL FUND:</u> | | | | |
| Certificate of Deposit | 08-06-08 | 08-06-09 | 3.15% | \$ 3,000,000 |
| Certificate of Deposit | 07-26-08 | 01-22-09 | 1.98% | <u>149,554</u> |
| | | | | <u>3,149,554</u> |
| <u>PROPRIETARY FUND TYPES:</u> | | | | |
| Certificate of Deposit | 06-20-08 | 12-17-08 | 2.75% | 59,069 |
| Certificate of Deposit | 06-22-08 | 12-19-08 | 2.75% | 34,329 |
| Certificate of Deposit | 09-02-08 | 12-01-08 | 2.71% | 27,908 |
| Certificate of Deposit | 08-06-08 | 08-06-09 | 3.15% | 3,000,000 |
| Certificate of Deposit | 09-17-08 | 12-17-08 | 3.03% | 7,255 |
| Certificate of Deposit | 09-17-08 | 12-17-08 | 3.03% | <u>7,256</u> |
| | | | | <u>3,135,817</u> |
| Total investments | | | | \$ <u>6,285,371</u> |
| Investments - unrestricted | | | | \$ 6,270,860 |
| Investments - restricted | | | | <u>14,511</u> |
| Total investments | | | | \$ <u>6,285,371</u> |

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2008**

| <u>Name</u> | <u>Position</u> | <u>Company</u> | <u>Bond</u> |
|--------------------|---------------------------------|-------------------------------|----------------|
| All employees | Blanket Bond | Employers Mutual Companies | \$ 50,000 each |
| Julia Williams | City Clerk and Tax Collector | Employers Mutual Companies | 100,000 each |
| Gary L. Rhoads | Mayor | Employers Mutual Companies | 100,000 each |
| Johnny Dewitt, Jr. | Chief of Police | Employers Mutual Companies | 50,000 each |
| | Aldermen (5) | Employers Mutual Companies | 100,000 each |

CITY OF FLOWOOD, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

DEFINITION AND PURPOSE

| <u>Date</u> | <u>Balance Outstanding October 1, 2007</u> | <u>Transactions During Fiscal Year</u> | | <u>Balance Outstanding September 30, 2008</u> |
|--|--|--|------------------|---|
| | | <u>Issued</u> | <u>Redeemed</u> | |
| GENERAL OBLIGATION BONDS: | | | | |
| 1988 Public Improvement | \$ 85,000 | - | 85,000 | - |
| 1999 Roadway Improvement | 2,325,000 | - | 145,000 | 2,180,000 |
| 2002 Refunding | <u>2,102,000</u> | <u>-</u> | <u>348,000</u> | <u>1,754,000</u> |
| | <u>4,512,000</u> | <u>-</u> | <u>578,000</u> | <u>3,934,000</u> |
| REVENUE BONDS: | | | | |
| 1997 Golf Course Urban Renewal | 4,160,000 | - | 4,160,000 | - |
| 1998 Water and Sewer System | 6,435,000 | - | 255,000 | 6,180,000 |
| 2007 Golf Course Urban Renewal | <u>-</u> | <u>4,255,000</u> | <u>-</u> | <u>4,255,000</u> |
| | <u>10,595,000</u> | <u>4,255,000</u> | <u>4,415,000</u> | <u>10,435,000</u> |
| LIMITED OBLIGATION BONDS: | | | | |
| 1995 Tax Increment | 35,000 | - | 11,000 | 24,000 |
| 1999 Tax Increment | 48,000 | - | 10,000 | 38,000 |
| 2001 Tax Increment Refunded | 375,000 | - | 13,000 | 362,000 |
| 2001 Tax Increment | 3,570,000 | - | 145,000 | 3,425,000 |
| 2004 Tax Increment | 2,675,000 | - | 80,000 | 2,595,000 |
| 2004 Tax Increment | 4,285,000 | - | 120,000 | 4,165,000 |
| 2006 Tax Increment | <u>1,695,000</u> | <u>-</u> | <u>50,000</u> | <u>1,645,000</u> |
| | <u>12,683,000</u> | <u>-</u> | <u>429,000</u> | <u>12,254,000</u> |
| NOTE: | | | | |
| Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Water and Sewer Enterprise | 297,577 | - | 60,318 | 237,259 |
| Mississippi Department of Economic and Community Development Capital Improvements Loan Program - General Fund - (Fire truck) | 43,540 | - | 15,237 | 28,303 |
| Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Capital Projects | 6,068,332 | - | 391,466 | 5,676,866 |

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

DEFINITION AND PURPOSE

| <u>Date</u> | <u>Balance Outstanding October 1, 2007</u> | <u>Transactions During Fiscal Year</u> | | <u>Balance Outstanding September 30, 2008</u> |
|---|--|--|------------------|---|
| | | <u>Issued</u> | <u>Redeemed</u> | |
| NOTE - CONTINUED: | | | | |
| Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Water and Sewer Enterprise | \$ 422,409 | - | 72,365 | 350,044 |
| Mississippi Development Bank Loan - Municipal Library Complex | 6,305,000 | - | 255,000 | 6,050,000 |
| Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Capital Projects | 1,734,925 | 1,113,277 | 135,190 | 2,713,012 |
| Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Capital Projects | <u>43,500</u> | <u>346,755</u> | <u>9,114</u> | <u>381,141</u> |
| | <u>14,915,283</u> | <u>1,460,032</u> | <u>938,690</u> | <u>15,436,625</u> |
| CAPITAL LEASES: | | | | |
| First Continental Leasing | <u>155,385</u> | <u>-</u> | <u>76,173</u> | <u>79,212</u> |
| Total | <u>\$ 42,860,668</u> | <u>5,715,032</u> | <u>6,436,863</u> | <u>42,138,837</u> |

ADDITIONAL REPORTS

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

To the Honorable Mayor and Aldermen
City of Flowood, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of and for the year ended September 30, 2008, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated June 11, 2009. 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 of Flowood, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Flowood, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Flowood, Mississippi's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Flowood, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Flowood, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Flowood Mississippi's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Flowood, Mississippi's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Aldermen, federal awarding agencies and pass-through entities, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

June 11, 2009

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Honorable Mayor and Aldermen
City of Flowood
Flowood, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of and for the year ended September 30, 2008, and have issued our report thereon dated June 11, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

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

June 11, 2009

