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April 8, 2019

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

Re: Annual City of Flowood Municipal Audit for fiscal year ending September 30, 2018

Dear Sir:

Accompanying this letter is one electronic copy and two hard copies of the annual audit of the City of Flowood, Mississippi for the fiscal year September 30, 2018. A separate management letter was not written to the City of Flowood in connection with this audit.

Sincerely,

A handwritten signature in blue ink that reads "Gary Rhoads".

Gary Rhoads, Mayor

/jc
enclosures



CITY OF FLOWOOD, MISSISSIPPI

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2018



CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	20
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Proprietary Fund Financial Statements:	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	30
Notes to Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A:	
Budgetary Comparison Schedule - General Fund	63
Budgetary Comparison Schedule - General Fund Expenditures	65
Budgetary Comparison Schedule - Recreation and Tourism Special Tax Fund	68
Schedule of Changes in Net Pension Liability and Related Ratios	69
Schedule of Employer Contributions	70
Notes to Required Supplementary Information Schedules	71



CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
SUPPLEMENTARY INFORMATION:	
Schedule of Surety Bonds for Municipal Officials	72
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Schedule of Findings and Responses	75
Summary Schedule of Prior Audit Findings	76
STATE COMPLIANCE SECTION:	
Independent Auditor's Report on Compliance with State Laws and Regulations	77



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Alderpersons
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, 2018, and the related notes to the financial statements, which collectively comprise the City of Flowood, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Auditor's Responsibility - continued:

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-17, budgetary comparison information on pages 63-68, schedule of changes in net pension liability & related ratios on page 69, and the schedule of employer contributions on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowood, Mississippi's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, 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

Other Reports Required by *Government Auditing Standards* - continued:

our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* on the effectiveness of the City of Flowood, Mississippi's internal control over financial reporting and compliance.

Haddox Reid Eubank Better PLLC

Jackson, Mississippi
March 25, 2019

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Our discussion and analysis of the City of Flowood's (the City) financial performance provides an overview of the City's financial activities for the year ended September 30, 2018. 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 16 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

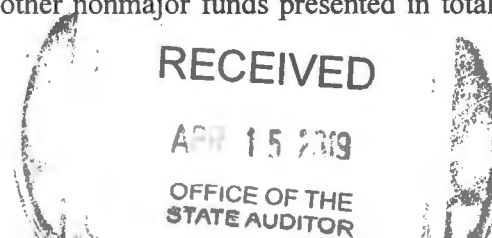
FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$1,894,203 as a result of this year's operations (\$2,493,923 increase in 2017). The increase was realized by the City's Business-Type Activities as the result of current year's operations and the transfer of capital assets constructed with the proceeds of general obligation bonds issued during the year.
- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, during fiscal year 2015. The implementation resulted in the following items reported in the financial statements:
 - A net pension liability in the amount of \$26,280,095 at September 30, 2018 (\$25,350,675 at September 30, 2017).
 - An increase in the current year pension expense as determined prior to the implementation of GASB 68 in the amount of \$1,588,950 to \$3,335,032 as determined in accordance with GASB 68.
- The City's General Fund realized a 4.1% increase in total revenue compared to the prior year (\$20,433,623 in 2018 compared to \$19,621,502 in 2017). Total expenditures reflected a 1.8% increase (\$16,864,450 in 2018 compared to \$16,566,647 in 2017).

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 Position and Statement of Activities (on pages 16 and 17) 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, 2018**

REPORTING THE CITY AS A WHOLE

Statement of Net Position 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 fiscal year 2018?" The Statement of Net Position 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. The accrual 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 position for the 2018 fiscal year and changes in them. The City's net position - assets plus deferred outflows of resources less liabilities and deferred inflows of resources - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position 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 Position and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's basic services are reported here which includes police, fire, sanitation, public property maintenance, parks and recreation, general administration, legal, court, health, street maintenance, shop and maintenance, landscape and engineering. 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, municipal golf course, and municipal R/C track park are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 18. 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 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



CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REPORTING THE CITY AS A WHOLE - CONTINUED:

Reporting the City's Most Significant Funds - continued:

Fund Financial Statements - continued:

particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two types 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 Position 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 City-Wide Capital Projects 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.

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 Position 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.

The City of Flowood maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer services and the operation of the municipal golf course and R/C track park. The proprietary fund financial statements

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

REPORTING THE CITY AS A WHOLE - CONTINUED:

Reporting the City's Most Significant Funds - continued:

Fund Financial Statements - continued:

provide separate information for the Water and Sewer Enterprise Fund, the Golf Course Enterprise Fund, and the R/C Park Enterprise Fund, all 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 the Statement of Fiduciary Net Position. 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 Position looks at the City as a whole. The City's combined net position was \$120,484,404 and \$118,590,201 as of September 30, 2018 and 2017, respectively. **Table 1** provides a summary of the City's net position.

**(Table 1)
Condensed Statement of Net Position
At September 30, 2018 and 2017**

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 54,571,796	9,304,355	63,876,151	34,166,298	8,410,296	42,576,594
Capital assets, net	<u>118,366,641</u>	<u>45,553,807</u>	<u>163,920,448</u>	<u>119,308,261</u>	<u>43,095,884</u>	<u>162,404,145</u>
Total assets	<u>172,938,437</u>	<u>54,858,162</u>	<u>227,796,599</u>	<u>153,474,559</u>	<u>51,506,180</u>	<u>204,980,739</u>
Deferred outflows of resources:						
Deferred charges on refunding	857,627	60,757	918,384	1,009,696	89,740	1,099,436
Deferred outflows-pension	<u>2,468,371</u>	<u>400,854</u>	<u>2,869,225</u>	<u>3,449,639</u>	<u>527,581</u>	<u>3,977,220</u>
Total deferred outflows of resources	<u>3,325,998</u>	<u>461,611</u>	<u>3,787,609</u>	<u>4,459,335</u>	<u>617,321</u>	<u>5,076,656</u>

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Liabilities:						
Current liabilities	\$ 6,628,788	2,717,135	9,345,923	5,619,706	2,907,734	8,527,440
Noncurrent liabilities	79,602,966	15,138,949	94,741,915	57,550,657	17,939,296	75,489,953
Total liabilities	<u>86,231,754</u>	<u>17,856,084</u>	<u>104,087,838</u>	<u>63,170,363</u>	<u>20,847,030</u>	<u>84,017,393</u>
Deferred inflows of resources						
Unavailable property taxes	4,920,334	-	4,920,334	5,066,846	-	5,066,846
Deferred inflows-pension	1,799,309	292,323	2,091,632	2,066,854	316,101	2,382,955
Total deferred inflows of resources	<u>6,719,643</u>	<u>292,323</u>	<u>7,011,966</u>	<u>7,133,700</u>	<u>316,101</u>	<u>7,449,801</u>
Net assets:						
Net investment in capital assets	58,139,701	32,990,831	91,130,532	80,683,754	29,342,418	110,026,172
Restricted:						
Capital projects	19,771,593	-	19,771,593	-	-	-
Public safety	314,247	-	314,247	599,658	-	599,658
Debt service	9,737,931	588,949	10,326,880	10,407,206	585,733	10,992,939
Recreation and tourism	2,190,405	-	2,190,405	3,090,179	-	3,090,179
Unrestricted	<u>(6,840,839)</u>	<u>3,591,586</u>	<u>(3,249,253)</u>	<u>(7,150,966)</u>	<u>1,032,219</u>	<u>(6,118,747)</u>
Total net position	\$ <u>83,313,038</u>	<u>37,171,366</u>	<u>120,484,404</u>	<u>87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>

In connection with the implementation of recent standards on accounting and financial reporting for pensions, management presents the following additional information:

	2018	2017
Total unrestricted net position (deficit)	\$ (3,249,253)	(6,118,747)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71.	<u>25,502,502</u>	<u>23,756,410</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u>22,253,249</u>	<u>17,637,663</u>

The largest portion of the City's net position (76%) reflects net 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.

CITY OF FLOWOOD, MISSISSIPPI

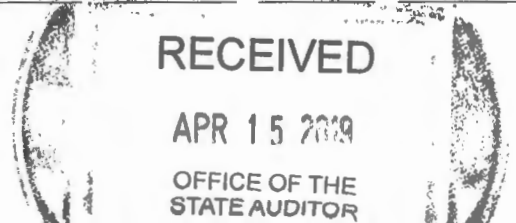
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

The Changes in Net Position for the years ended September 30, 2018 and 2017 are summarized in Table 2.

(Table 2)
Condensed Statement of Changes in Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
REVENUES:						
Program Revenues:						
Charges for services	\$ 2,152,173	10,335,760	12,487,933	1,990,790	10,661,557	12,652,347
Capital grants and contributions	82,797	-	82,797	1,687,061	-	1,687,061
Operating grants and contributions	1,165,534	-	1,165,534	1,160,679	-	1,160,679
General Revenues:						
Property taxes	5,770,618	-	5,770,618	5,613,028	-	5,613,028
Sales taxes	12,172,729	-	12,172,729	11,607,503	-	11,607,503
Other	5,168,726	78,665	5,247,391	4,271,720	23,023	4,294,743
Total revenues	<u>26,512,577</u>	<u>10,414,425</u>	<u>36,927,002</u>	<u>26,330,781</u>	<u>10,684,580</u>	<u>37,015,361</u>
EXPENSES:						
General government	1,666,368	-	1,666,368	1,544,647	-	1,544,647
Legal	316,500	-	316,500	330,687	-	330,687
Public safety	11,243,693	-	11,243,693	11,391,456	-	11,391,456
Court	628,687	-	628,687	704,128	-	704,128
Public property maintenance	702,947	-	702,947	716,066	-	716,066
Sanitation	339,945	-	339,945	316,797	-	316,797
Health	88,746	-	88,746	95,814	-	95,814
Street maintenance	5,460,815	-	5,460,815	5,436,898	-	5,436,898
Recreation	1,726,061	-	1,726,061	1,782,761	-	1,782,761
Shop and maintenance	541,738	-	541,738	526,037	-	526,037
Landscape	507,854	-	507,854	522,361	-	522,361
Engineering	143,413	-	143,413	140,942	-	140,942
Pay to other agency	66,279	-	66,279	59,483	-	59,483
Interest and fiscal charges	2,437,423	-	2,437,423	1,578,058	-	1,578,058
Golf course	-	605,735	605,735	-	853,442	853,442
R/C park	-	48,720	48,720	-	59,387	59,387
Water and sewer	-	8,430,325	8,430,325	-	8,122,453	8,122,453
Total expenses	<u>25,870,469</u>	<u>9,084,780</u>	<u>34,955,249</u>	<u>25,146,135</u>	<u>9,035,282</u>	<u>34,181,417</u>



CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
CHANGE IN NET POSITION BEFORE TRANSFERS AND OTHER ITEMS	\$ 642,108	1,329,645	1,971,753	1,184,646	1,649,298	2,833,944
SPECIAL ASSESSMENT ASSUMED BY THE CITY	(77,550)	-	(77,550)	-	-	-
LOSS ON DISPOSAL OF CAPITAL ASSETS	-	-	-	-	(340,021)	(340,021)
TRANSFERS	(2,912,823)	2,912,823	-	(662,526)	662,526	-
TRANSFER OF CAPITAL ASSETS	(1,968,528)	1,968,528	-	(101,681)	101,681	-
CHANGE IN NET POSITION	(4,316,793)	6,210,996	1,894,203	420,439	2,073,484	2,493,923
NET POSITION, BEGINNING OF YEAR	<u>87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>	<u>87,209,392</u>	<u>28,886,886</u>	<u>116,096,278</u>
NET POSITION, END OF YEAR	\$ <u>83,313,038</u>	<u>37,171,366</u>	<u>120,484,404</u>	<u>87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>

Governmental Activities

Several revenue sources fund our governmental activities. The City's largest source of operating revenue was received from sales tax which accounted for \$12,172,729 or 45.9% of gross revenue; revenues from charges for services accounted for \$2,152,173 or 8.1% of gross revenues; and property taxes accounted for \$5,770,618 or 21.8% of revenues. Operating grants and contributions amounted to \$1,165,534 or 4.4% of gross revenue.

The City of Flowood has been able to increase its sales tax collections in the last twelve years by \$3,406,933 from gross collections in 2006 of \$8,765,796 to gross collections in 2018 of \$12,172,729. 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 43.5% of the total program expenses, and street and public property maintenance accounting for 23.9%. The City of Flowood is committed to providing the best services possible for its citizens.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities - continued:

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 limiting increases in operating costs to the minimum amount necessary to provide essential services for each 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.

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$38,876,120, an increase of \$20,592,542, of which \$13,417,707 or 34.5% of the fund balance is classified as unassigned, which represents the residual classification of fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes. The remaining fund balance of \$25,458,413 or 65.5% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The increase in fund balance in General Fund was \$816,750. The increase in the fund balance of General Fund is attributed to an increase in intergovernmental revenue and ad valorem tax revenue combined with a decrease in capital outlay expenses in 2018 compared with 2017. The Recreation and Tourism Special Tax Fund reported a decrease in fund balance in the amount of \$899,774. The decrease in the fund balance of the Recreation and Tourism Special Tax Fund is attributed to a large transfer out to the Golf Course Enterprise Fund to pay off their bond indebtedness. The increase in the fund balance of Debt Service Fund was \$122,227. The increase in the fund balance of Debt Service Fund is the result of current year tax and other revenue exceeding the current year debt service requirements. The increase in fund balance in the City-Wide Capital Projects Fund was \$20,838,750. The increase in fund balance of the City-Wide Capital Projects Fund is largely attributed to proceeds received from bonds issued during the year. The Other Nonmajor Funds reported a decrease in fund balance in the amount of \$285,411. The decrease in the fund balance of the Other Nonmajor Funds is attributed to an increase in public safety expenses in 2018 compared with 2017.

Business-Type Activities

Operating revenues of the City's business-type activities were \$10,335,760 and \$10,661,557 for the fiscal years ended September 30, 2018 and 2017, respectively. Operating expenses for the City's business-type activities were \$8,639,513 for 2018 and \$8,457,839 for 2017, resulting in operating income of \$1,696,247 in 2018 and \$2,203,718 in 2017. Net non-operating expenses of \$380,802 in 2018 and \$898,536 in 2017 and capital asset contributions and transfers of \$4,881,351 for 2018 and \$764,207 for 2017 resulted in an increase in net position of \$6,196,796 in 2018 and \$2,069,389 in 2017. Key operating results are detailed below:

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Business-Type Activities - continued:

- The City's Water and Sewer Enterprise Fund recorded charges for services of \$10,290,148 which reflects a .6% increase from the prior year. The most significant expenses of the Water and Sewer Enterprise Fund were \$2,388,623 for salaries and benefits, \$3,240,140 for operating cost including sewage treatment and \$1,687,363 in depreciation expense.
- The Golf Course Enterprise Fund's revenue decreased from \$389,446 in 2017 to \$-0- in 2018 while operating expenses, excluding depreciation, decreased 19.2% to \$573,660 in 2018 compared with \$710,129 in 2017. The City closed the golf course in July, 2017 for major renovations as part of the conference center project. The course is expected to reopen in the fall of 2019.
- The R/C Park Enterprise Fund's revenue increased from \$41,982 in 2017 to \$45,612 in 2018 which reflects an increase of 8.6% while operating expenses, excluding depreciation, decreased from \$57,798 in 2017 to \$47,124 in 2018, a decrease of 18.5%.

The increase in net position in Water and Sewer Enterprise Fund was \$1,924,025. The increase in the net position of Water and Sewer Enterprise Fund is attributed to a continued strong revenue base that exceeds operating expenses and bond interest and fiscal charges. The Golf Course Enterprise Fund reported a increase in net position in the amount of \$4,275,702. The increase in the net position of the Golf Course Enterprise Fund is attributed to a large transfer in from the Recreation and Tourism Special Tax Fund to pay off their bond indebtedness and improvements to the golf course funded through other governmental sources. The decrease in the net position of the R/C Park Enterprise Fund was \$2,931. The decrease in the net position of R/C Park Enterprise Fund is the result of operating expenses being slightly more than operating revenues.

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 2018, the City of Flowood amended its General Fund budget once. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Alderpersons for review before being amended by the Board of Alderpersons 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 2018 were \$20,176,500 and actual revenue collections were \$20,371,832. General Fund operating expenditures were \$16,898,594 compared to budgeted amounts of \$18,919,250.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

BUDGETARY HIGHLIGHTS - CONTINUED:

Original budget compared to final budget

The original General Fund revenue budget of \$19,690,000 was increased by amendments totaling \$486,500 to a final revenue budget of \$20,176,500. Major components of the amendments included:

- Revenues for intergovernmental revenues were increased \$384,000 primarily due to an expected increase in sales tax revenue as a result of increased economic growth in the City.

The original General Fund expense budget of \$18,371,850 was increased by various amendments totaling \$547,400 to a final expense budget of \$18,919,250. Major components of the amendments included:

- Expenditures for recreation were increased \$885,000 to provide for the parks and recreation department to be funded through the general fund in fiscal year 2018.
- Expenditures for street maintenance were increased \$417,500 to provide for additional street overlays and improvements during the year.
- Expenditures for public safety were decreased \$567,600 primarily as a result of a decrease in expected personal services during the year.

Final budget compared to actual results

Actual revenues for the year were \$195,332 more than budgeted. The additional revenue resulted from intergovernmental revenue being \$92,318 more than budgeted and charges for services was \$87,570 more than budgeted.

Actual expenditures for the year were \$2,020,656 less than estimated. In general, the City has been proactive in limiting the amount of operating costs to the minimum necessary to provide essential services. The most significant differences in the final budget and actual occurred in the following areas:

- Street maintenance services and charges were \$1,264,508 less than budgeted as a result of actual expenses for street overlays and maintenance being less than estimated.
- Public safety services were \$464,027 less than budgeted as a result of personal services and capital outlay being less than estimated.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018, the City had over \$163 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, water and sewer lines, and the municipal golf course facility. (See Table 3 below).

**Table 3
Capital Assets at September 30, 2018 and 2017
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 37,743,559	37,504,029	766,808	766,808	38,510,367	38,270,837
Improvements other than buildings	15,058,902	15,798,262	-	-	15,058,902	15,798,262
Buildings	12,884,710	12,995,090	-	-	12,884,710	12,995,090
Machinery and equipment	4,422,079	4,323,760	241,137	241,153	4,663,216	4,564,913
Infrastructure	45,120,082	47,625,205	-	-	45,120,082	47,625,205
Construction in progress	3,137,309	1,061,915	7,020,862	3,122,392	10,158,171	4,184,307
Water and sewer system	-	-	37,325,015	38,756,810	37,325,015	38,756,810
Golf course	-	-	161,437	168,576	161,437	168,576
R/C park	-	-	38,548	40,145	38,548	40,145
Total	\$ 118,366,641	119,308,261	45,553,807	43,095,884	163,920,448	162,404,145

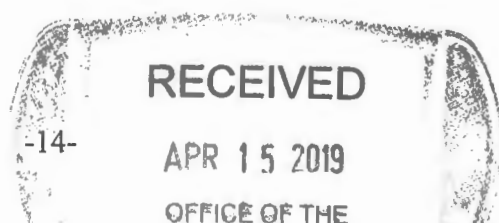
This year's major additions included:

Governmental Activities

Various Machinery and Equipment	\$ 534,076
Public Safety Vehicles	510,351
Land for Liberty Park Wetland Mitigation	233,402
Conference Center Site Work	1,966,812

Business-Type Activities

Water Well and Tank Projects	1,539,256
Water and Sewer Improvements at Conference Center Site	387,906
Improvements to the City's Golf Course	1,968,528



CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt

At September 30, 2018 and 2017, the City of Flowood had \$73,165,951 and \$54,872,934, respectively, in outstanding debt from General Obligation Bonds, Revenue Bonds, Limited Obligation Bonds, Notes, Capital Lease Payable and Compensated Absences. **Table 4** summarizes the total outstanding long-term obligations of the City.

**Table 4
Outstanding Debt at September 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 46,240,909	23,032,812	1,409,091	1,480,188	47,650,000	24,513,000
General obligation premium	604,352	659,293	38,289	41,770	642,641	701,063
Revenue bonds	-	-	2,625,000	5,410,000	2,625,000	5,410,000
Limited obligation bonds	2,981,500	3,250,000	-	-	2,981,500	3,250,000
Limited obligation discount	(43,370)	(46,985)	-	-	(43,370)	(46,985)
Special obligation bonds	9,322,195	10,218,163	5,657,797	5,966,829	14,979,992	16,184,992
Special obligation premium	191,871	206,610	104,132	112,041	296,003	318,651
Notes	-	-	2,642,499	2,797,380	2,642,499	2,797,380
Capital leases payable	929,483	1,304,614	-	-	929,483	1,304,614
Compensated absences	403,552	389,484	58,651	50,735	462,203	440,219
Total	\$ 60,630,492	39,013,991	12,535,459	15,858,943	73,165,951	54,872,934

The City paid \$6,651,512 in principal on outstanding debt during the year. In November, 2017 the City issued \$25 million in General Obligation Bonds to be used for the development of a resort style hotel and Conference Center to include the purchase of land, site and golf course improvements, and purchase of the Conference Center.

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.

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 fifteen 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.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

Annually, the City's engineer inspects roadways and suggests the worst for repair. Over the past fifteen years, the City has expended an average of \$200,000 to \$600,000 annually on various roadway maintenance resurfacing projects. The 2019 roadway maintenance program is estimated at \$1,252,900. The City of Flowood is also constructing the Conference Center Roadway which is budgeted at \$2,500,000 for 2019. Additionally, the City acquired part of a water system located within City limits in fiscal year 2014. The City made improvements to the water system in fiscal years 2015 to 2018 to aid in residential development within the area. This includes a new well and tank under construction. The last twenty years have seen the construction of a new City Hall, Police & Justice Court Complex, two new Fire Stations, three new City Parks, a full service Municipal Library, and a new Public Services building.

The City has also funded the purchase of approximately \$8.2 million dollars of public safety and public property vehicles and equipment over the past ten years. Some of the items purchased include an average of six new police cruisers per year along with a variety of pickup trucks, fire truck, vans, trucks, low pro dump trucks, mowers, tractors, cutting equipment and other road and non-road equipment for our service and recreation departments. The City purchased new fire rescue pumpers during 2007, 2008, 2010, 2016, and 2017. 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 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 Lifestyle 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 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, has four national retail anchors along with restaurants and local small businesses. In fiscal year 2013, a new development was constructed which is anchored by a 70,000 square foot Academy Sports store. During fiscal year 2015 several new industries located on the southern end of the City, which include the U.S. Foods distribution center and Rocket Machinery.

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CITY OF FLOWOOD, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

During fiscal year 2017 the City purchased land and began site work for a resort style 200 room hotel and conference center. The project is being built adjacent to the City owned Refuge Golf Course along Airport Road and the Medical Parkway. The development should spur additional economic development along Airport Road and the Medical Parkway. The project is expected to be completed Summer 2020.

During fiscal year 2018 a ground breaking was held for the Water Pointe development along the East Metro Parkway just south of Dogwood Festival Market. The development consists of approximately 230 acres, 560 single family residences and an estimated 800,000 square feet of commercial space in a town center atmosphere. Construction will begin in Spring of 2019.

With the growth that has been realized in the past several years and with the expectation that the growth will continue in the future, the City of Flowood must maintain and create better access routes into and out of the City and provide additional public safety facilities and equipment. The City has committed its 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, Josh Carlisle, CPA, at 2101 Airport Road, Flowood, MS 39232.

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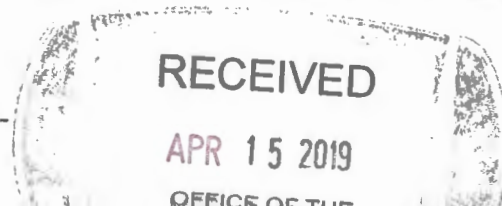
CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 12,485,770	7,429,095	19,914,865
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	1,565,650	863,901	2,429,551
Grants	31,347	-	31,347
Taxes	7,464,815	-	7,464,815
Internal balances	183,461	(183,461)	-
Prepays	142,573	73,627	216,200
Restricted assets:			
Cash and cash equivalents	25,312,685	1,121,193	26,433,878
Special assessments receivable	2,860,458	-	2,860,458
Due from other governments	4,525,037	-	4,525,037
Capital assets:			
Non-depreciable capital assets	40,880,868	7,787,670	48,668,538
Depreciable capital assets, net	<u>77,485,773</u>	<u>37,766,137</u>	<u>115,251,910</u>
Total assets	<u>172,938,437</u>	<u>54,858,162</u>	<u>227,796,599</u>
 <u>DEFERRED OUTFLOWS</u>			
<u>OF RESOURCES</u>			
Deferred charges on refunding	857,627	60,757	918,384
Deferred outflows related to pension	<u>2,468,371</u>	<u>400,854</u>	<u>2,869,225</u>
Total deferred outflows of resources	<u>3,325,998</u>	<u>461,611</u>	<u>3,787,609</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	\$ 1,360,946	964,926	2,325,872
Accrued liabilities	191,106	10,221	201,327
Accrued interest payable	749,369	150,265	899,634
Claims payable	155,169	-	155,169
Customer deposits	-	532,244	532,244
Funds held for others	30,000	-	30,000
Payable to other governments	358,064	-	358,064
Unearned revenue	139,482	-	139,482
Noncurrent liabilities:			
Due within one year:			
Compensated absences	62,310	7,522	69,832
Loans and leases payable	255,463	168,381	423,844
Bonds payable	3,326,879	883,576	4,210,455
Due in more than one year:			
Compensated absences	341,242	51,129	392,371
Loans and leases payable	674,020	2,474,118	3,148,138
Bonds payable	55,970,578	8,950,733	64,921,311
Net pension liability	22,617,126	3,662,969	26,280,095
Total liabilities	<u>86,231,754</u>	<u>17,856,084</u>	<u>104,087,838</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property tax revenue	4,920,334	-	4,920,334
Deferred inflows related to pension	1,799,309	292,323	2,091,632
Total deferred inflows of resources	<u>6,719,643</u>	<u>292,323</u>	<u>7,011,966</u>
<u>NET POSITION</u>			
Net investment in capital assets	58,139,701	32,990,831	91,130,532
Restricted for:			
Capital projects	19,771,593	-	19,771,593
Public safety	314,247	-	314,247
Debt service	9,737,931	588,949	10,326,880
Recreation and tourism	2,190,405	-	2,190,405
Unrestricted	<u>(6,840,839)</u>	<u>3,591,586</u>	<u>(3,249,253)</u>
	<u>\$ 83,313,038</u>	<u>37,171,366</u>	<u>120,484,404</u>



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CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
General government	\$ 1,666,368	535,306	-	-
Legal	316,500	-	-	-
Public safety	11,243,693	1,500,939	53,258	64,901
Court	628,687	-	-	-
Public property maintenance	702,947	-	-	-
Sanitation	339,945	-	-	-
Health	88,746	-	-	-
Street maintenance	5,460,815	-	1,112,276	-
Recreation	1,726,061	115,928	-	17,896
Shop and maintenance	541,738	-	-	-
Landscape	507,854	-	-	-
Engineering	143,413	-	-	-
Pay to other agency	66,279	-	-	-
Interest and fiscal charges on long-term debt	2,437,423	-	-	-
Total government activities	25,870,469	2,152,173	1,165,534	82,797
Business-type activities:				
Golf course	605,735	-	-	-
R/C park	48,720	45,612	-	-
Water and sewer	8,430,325	10,290,148	-	-
Total business-type activities	9,084,780	10,335,760	-	-
Total government	\$ 34,955,249	12,487,933	1,165,534	82,797
General revenues:				
Taxes:				
Ad valorem taxes				
Special assessments				
Sales tax				
Recreation and tourism tax				
Utility in lieu of tax				
Franchise fees				
Interest and penalties on taxes				
General intergovernmental revenue				
Investment earnings				
Other				
Special assessment assumed by the City				
Transfers				
Transfers of capital assets				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

The accompanying notes are an integral part of this statement.

**Net (Expenses) Revenues
and Changes in Net Position**

Governmental Activities	Business- Type Activities	Total
(1,131,062)	-	(1,131,062)
(316,500)	-	(316,500)
(9,624,595)	-	(9,624,595)
(628,687)	-	(628,687)
(702,947)	-	(702,947)
(339,945)	-	(339,945)
(88,746)	-	(88,746)
(4,348,539)	-	(4,348,539)
(1,592,237)	-	(1,592,237)
(541,738)	-	(541,738)
(507,854)	-	(507,854)
(143,413)	-	(143,413)
(66,279)	-	(66,279)
<u>(2,437,423)</u>	-	<u>(2,437,423)</u>
<u>(22,469,965)</u>	-	<u>(22,469,965)</u>
-	(605,735)	(605,735)
-	(3,108)	(3,108)
-	<u>1,859,823</u>	<u>1,859,823</u>
-	<u>1,250,980</u>	<u>1,250,980</u>
<u>(22,469,965)</u>	<u>1,250,980</u>	<u>(21,218,985)</u>



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CITY OF FLOWOOD, MISSISSIPPI

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs:</u>				
Governmental activities:				
General government	\$ 1,666,368	535,306	-	-
Legal	316,500	-	-	-
Public safety	11,243,693	1,500,939	53,258	64,901
Court	628,687	-	-	-
Public property maintenance	702,947	-	-	-
Sanitation	339,945	-	-	-
Health	88,746	-	-	-
Street maintenance	5,460,815	-	1,112,276	-
Recreation	1,726,061	115,928	-	17,896
Shop and maintenance	541,738	-	-	-
Landscape	507,854	-	-	-
Engineering	143,413	-	-	-
Pay to other agency	66,279	-	-	-
Interest and fiscal charges on long-term debt	2,437,423	-	-	-
Total government activities	<u>25,870,469</u>	<u>2,152,173</u>	<u>1,165,534</u>	<u>82,797</u>
Business-type activities:				
Golf course	605,735	-	-	-
R/C park	48,720	45,612	-	-
Water and sewer	<u>8,430,325</u>	<u>10,290,148</u>	-	-
Total business-type activities	<u>9,084,780</u>	<u>10,335,760</u>	-	-
Total government	\$ <u>34,955,249</u>	<u>12,487,933</u>	<u>1,165,534</u>	<u>82,797</u>
General revenues:				
Taxes:				
Ad valorem taxes				
Special assessments				
Sales tax				
Recreation and tourism tax				
Utility in lieu of tax				
Franchise fees				
Interest and penalties on taxes				
General intergovernmental revenue				
Investment earnings				
Other				
Special assessment assumed by the City				
Transfers				
Transfers of capital assets				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

The accompanying notes are an integral part of this statement.

**Net (Expenses) Revenues
and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
(1,131,062)	-	(1,131,062)
(316,500)	-	(316,500)
(9,624,595)	-	(9,624,595)
(628,687)	-	(628,687)
(702,947)	-	(702,947)
(339,945)	-	(339,945)
(88,746)	-	(88,746)
(4,348,539)	-	(4,348,539)
(1,592,237)	-	(1,592,237)
(541,738)	-	(541,738)
(507,854)	-	(507,854)
(143,413)	-	(143,413)
(66,279)	-	(66,279)
(2,437,423)	-	(2,437,423)
<u>(22,469,965)</u>	-	<u>(22,469,965)</u>
-	(605,735)	(605,735)
-	(3,108)	(3,108)
-	1,859,823	1,859,823
-	1,250,980	1,250,980
<u>(22,469,965)</u>	<u>1,250,980</u>	<u>(21,218,985)</u>
5,770,618	-	5,770,618
73,045	-	73,045
12,172,729	-	12,172,729
3,130,149	-	3,130,149
394,583	-	394,583
588,249	-	588,249
19,485	-	19,485
464,914	-	464,914
390,240	78,665	468,905
108,061	-	108,061
(77,550)	-	(77,550)
(2,912,823)	2,912,823	-
(1,968,528)	1,968,528	-
<u>18,153,172</u>	<u>4,960,016</u>	<u>23,113,188</u>
(4,316,793)	6,210,996	1,894,203
87,629,831	30,960,370	118,590,201
<u>83,313,038</u>	<u>37,171,366</u>	<u>120,484,404</u>



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CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2018**

	<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	\$ 12,227,974	2,051,780	2,699,177
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	895,501	-	-
Grants	-	-	-
Taxes	6,965,187	493,120	6,508
Due from other funds	641,558	-	-
Prepaid expenses	142,573	-	-
Special assessments receivable	2,010,538	-	849,920
Due from other governments	-	-	<u>4,525,037</u>
Total assets	\$ <u>22,883,331</u>	<u>2,544,900</u>	<u>8,080,642</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 696,871	233,402	-
Accrued liabilities	191,106	-	-
Funds held for others	-	-	30,000
Unearned revenue	56,705	40,550	-
Due to other funds	-	80,543	296,090
Total liabilities	<u>944,682</u>	<u>354,495</u>	<u>326,090</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	4,920,334	-	-
Unavailable revenue - special assessments	1,983,379	-	849,920
Unavailable revenue - court fines	814,656	-	-
Unavailable revenue - Rankin County	-	-	4,525,037
Total deferred inflows of resources	<u>7,718,369</u>	<u>-</u>	<u>5,374,957</u>
Fund Balances:			
Nonspendable:			
Prepays	142,573	-	-
Restricted for:			
Capital projects	-	-	-
Public safety	-	-	-
Debt service	-	-	2,379,595
Recreation and tourism	-	2,190,405	-
Assigned to:			
Fiscal year 2019 budget appropriations	660,000	-	-
Unassigned	<u>13,417,707</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>14,220,280</u>	<u>2,190,405</u>	<u>2,379,595</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>22,883,331</u>	<u>2,544,900</u>	<u>8,080,642</u>

The accompanying notes are an integral part of this statement.

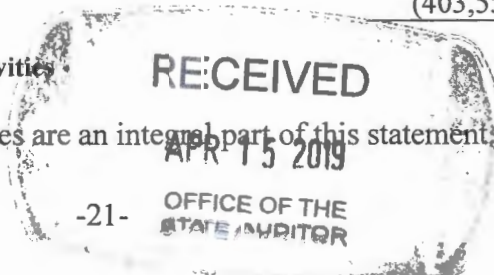
<u>City-Wide Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
20,205,254	356,474	37,540,659
-	-	895,501
-	31,347	31,347
-	-	7,464,815
-	-	641,558
-	-	142,573
-	-	2,860,458
-	-	4,525,037
<u>20,205,254</u>	<u>387,821</u>	<u>54,101,948</u>
430,673	-	1,360,946
-	-	191,106
-	-	30,000
-	42,227	139,482
<u>2,988</u>	<u>31,347</u>	<u>410,968</u>
<u>433,661</u>	<u>73,574</u>	<u>2,132,502</u>
-	-	4,920,334
-	-	2,833,299
-	-	814,656
-	-	4,525,037
-	-	<u>13,093,326</u>
-	-	142,573
19,771,593	-	19,771,593
-	314,247	314,247
-	-	2,379,595
-	-	2,190,405
-	-	660,000
-	-	13,417,707
<u>19,771,593</u>	<u>314,247</u>	<u>38,876,120</u>
<u>20,205,254</u>	<u>387,821</u>	<u>54,101,948</u>

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2018**

Total fund balances - governmental funds		\$ 38,876,120
Amounts reported for governmental activities in the Statement of Net Position 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	194,745,090	
Less accumulated depreciation	<u>(76,378,449)</u>	118,366,641
Fines 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.		
		814,656
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.		
		7,358,336
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 revenue fund are included in governmental activities in the Statement of Net Position.		
		367,583
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds:		
Net pension liability		(22,617,126)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension	2,468,371	
Deferred inflows of resources related to pension	<u>(1,799,309)</u>	669,062
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:		
Bond obligations	(59,297,457)	
Loan and lease obligations	(929,483)	
Unamortized deferred charges on refunding bonds	857,627	
Accrued interest payable	(749,369)	
Compensated absences	<u>(403,552)</u>	<u>(60,522,234)</u>
Net position of governmental activities		\$ <u>83,313,038</u>

The accompanying notes are an integral part of this statement.



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CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 5,248,041	-	502,140
Prior years ad valorem	19,415	-	1,022
Interest and penalties on taxes	18,855	-	630
Special assessments	177,482	-	78,886
Franchise fees	588,249	-	-
Licenses and permits	475,484	-	-
Intergovernmental	12,583,344	3,130,149	927,281
Charges for services	187,570	2,240	-
Fines and forfeits	981,949	-	-
Contributions	-	51,100	-
Interest earned	96,273	30,650	32,317
Miscellaneous	56,961	-	-
Total revenues	<u>20,433,623</u>	<u>3,214,139</u>	<u>1,542,276</u>
EXPENDITURES:			
Current:			
General government	1,441,558	-	-
Legal	283,444	-	-
Public safety	9,312,709	-	-
Court	585,663	-	-
Public property maintenance	552,866	-	-
Sanitation	339,945	-	-
Health	85,174	-	-
Street and maintenance	1,550,362	-	-
Recreation	843,366	676,705	-
Shop and maintenance	516,948	-	-
Landscape	461,790	-	-
Engineering	124,524	-	-
Pay to other agency	-	-	66,279
Debt service:			
Principal	375,132	-	2,956,371
Debt issuance costs	-	-	455,250
Interest and other fiscal charges	32,684	-	1,565,623
Capital Outlay:			
Capital projects	-	-	-
General government	16,310	-	-

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CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
EXPENDITURES - CONTINUED:			
Public safety	57,825	-	-
Court	6,888	-	-
Street and maintenance	91,840	-	-
Public property maintenance	109,112	-	-
Shop and maintenance	9,648	-	-
Landscape	<u>38,226</u>	-	-
Total expenditures	<u>16,864,450</u>	<u>676,705</u>	<u>5,043,523</u>
Excess (deficiency) of revenues over expenditures	<u>3,569,173</u>	<u>2,537,434</u>	<u>(3,501,247)</u>
Other financing sources (uses):			
Proceeds from bond issuance	-	-	455,250
Transfers in	-	-	3,168,224
Transfers out	(2,752,423)	(3,437,208)	-
Transfer of capital contribution	-	-	-
Total other financing sources (uses)	<u>(2,752,423)</u>	<u>(3,437,208)</u>	<u>3,623,474</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	816,750	(899,774)	122,227
Fund balances at beginning of year	<u>13,403,530</u>	<u>3,090,179</u>	<u>2,257,368</u>
Fund balances at end of year	\$ <u>14,220,280</u>	<u>2,190,405</u>	<u>2,379,595</u>

The accompanying notes are an integral part of this statement.

<u>City-Wide Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
-	-	5,750,181
-	-	20,437
-	-	19,485
-	-	256,368
-	-	588,249
-	-	475,484
17,896	1,280,427	17,939,097
-	-	189,810
-	393,708	1,375,657
-	-	51,100
217,572	7,859	384,671
-	-	56,961
<u>235,468</u>	<u>1,681,994</u>	<u>27,107,500</u>
-	-	1,441,558
-	-	283,444
-	162,000	9,474,709
-	-	585,663
-	-	552,866
-	-	339,945
-	-	85,174
-	1,117,119	2,667,481
-	-	1,520,071
-	-	516,948
-	-	461,790
-	-	124,524
-	-	66,279
-	-	3,331,503
-	-	455,250
-	-	1,598,307
2,081,524	-	2,081,524
-	-	16,310

<u>City-Wide Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
-	688,286	746,111
-	-	6,888
-	-	91,840
-	-	109,112
-	-	9,648
-	-	38,226
<u>2,081,524</u>	<u>1,967,405</u>	<u>26,633,607</u>
<u>(1,846,056)</u>	<u>(285,411)</u>	<u>473,893</u>
24,544,750	-	25,000,000
108,584	-	3,276,808
-	-	(6,189,631)
<u>(1,968,528)</u>	<u>-</u>	<u>(1,968,528)</u>
<u>22,684,806</u>	<u>-</u>	<u>20,118,649</u>
20,838,750	(285,411)	20,592,542
<u>(1,067,157)</u>	<u>599,658</u>	<u>18,283,578</u>
<u>19,771,593</u>	<u>314,247</u>	<u>38,876,120</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, 2018**

Net change in fund balances - total governmental funds \$ 20,592,542

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	3,630,520	
Less current year depreciation expense	<u>(4,534,484)</u>	(903,964)

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(37,657)
--	--	----------

Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years.		(678,040)
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The amortization of bond premiums and discounts is reported on the fund financial statements when debt is issued but amortized in the Statement of Activities.		66,065
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Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from: General obligation bonds, series 2017		(25,000,000)
--	--	--------------

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		3,331,502
--	--	-----------

The Statement of Activities reports pension expense and other activity related to the net pension liability: Contributions made after the measurement date	378,764	
Pension expense	<u>(1,721,724)</u>	(1,342,960)



CITY OF FLOWOOD, MISSISSIPPI

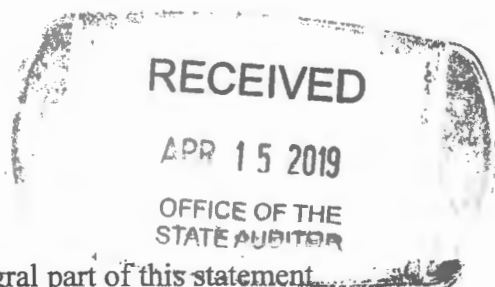
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

An internal service fund is used by management to charge the cost of health and dental insurance to individual funds. The net revenue is reported with governmental activities. \$ 119,718

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	(297,862)	
Amortization of deferred charges on refunding bonds	(152,069)	
Change in compensated absences	<u>(14,068)</u>	<u>(463,999)</u>

Change in net position of governmental activities \$ (4,316,793)



The accompanying notes are an integral part of this statement.

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CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018**

	<u>Business-Type Activities Enterprise Funds</u>				
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>R/C Park Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 7,420,205	6,725	2,165	7,429,095	257,796
Receivables (net of allowance for uncollectibles, where applicable):					
Accounts	834,262	29,639	-	863,901	312,085
Prepaid expenses	73,627	-	-	73,627	-
Due from other funds	-	269,948	-	269,948	-
Total current assets	<u>8,328,094</u>	<u>306,312</u>	<u>2,165</u>	<u>8,636,571</u>	<u>569,881</u>
Restricted assets:					
Customer deposits	532,244			532,244	
Principal reserve escrow account	<u>588,949</u>	-	-	<u>588,949</u>	-
Total restricted assets	<u>1,121,193</u>	-	-	<u>1,121,193</u>	-
Property, plant and equipment:					
Land	766,808	-	-	766,808	-
Machinery and equipment	1,422,450	-	-	1,422,450	-
Water distribution system	62,315,357	-	-	62,315,357	-
R/C Track Park facilities	-	-	49,683	49,683	-
Golf course facilities	-	3,778,760	-	3,778,760	-
	<u>64,504,615</u>	<u>3,778,760</u>	<u>49,683</u>	<u>68,333,058</u>	-
Less: accumulated depreciation	<u>(26,171,655)</u>	<u>(3,617,323)</u>	<u>(11,135)</u>	<u>(29,800,113)</u>	-
	38,332,960	161,437	38,548	38,532,945	-
Construction in progress	<u>4,950,653</u>	<u>2,070,209</u>	-	<u>7,020,862</u>	-
Net property, plant and equipment	<u>43,283,613</u>	<u>2,231,646</u>	<u>38,548</u>	<u>45,553,807</u>	-
Total assets	<u>52,732,900</u>	<u>2,537,958</u>	<u>40,713</u>	<u>55,311,571</u>	<u>569,881</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred charge on refunding	60,757	-	-	60,757	-
Deferred outflows related to pension	<u>400,854</u>	-	-	<u>400,854</u>	-
Total deferred outflows of resources	\$ <u>461,611</u>	-	-	<u>461,611</u>	-

The accompanying notes are an integral part of this statement.

**Business-Type Activities
Enterprise Funds**

	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	Internal Service Fund
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 571,934	392,480	512	964,926	155,169
Accrued interest payable	150,265	-	-	150,265	-
Accrued liabilities	10,221	-	-	10,221	-
Due to other funds	489,140	-	1,067	490,207	10,330
Compensated absences - current	7,522	-	-	7,522	-
Notes payable - current	168,381	-	-	168,381	-
Bonds payable - current	883,576	-	-	883,576	-
Total current liabilities	<u>2,281,039</u>	<u>392,480</u>	<u>1,579</u>	<u>2,675,098</u>	<u>165,499</u>
Current liabilities payable from restricted assets:					
Customer deposits	<u>532,244</u>	<u>-</u>	<u>-</u>	<u>532,244</u>	<u>-</u>
Long-term liabilities:					
Compensated absences	51,129	-	-	51,129	-
Notes payable - net of current portion	2,474,118	-	-	2,474,118	-
Bonds payable - net of current portion	8,950,733	-	-	8,950,733	-
Net pension liability	<u>3,662,969</u>	<u>-</u>	<u>-</u>	<u>3,662,969</u>	<u>-</u>
Total long-term liabilities	<u>15,138,949</u>	<u>-</u>	<u>-</u>	<u>15,138,949</u>	<u>-</u>
Total liabilities	<u>17,952,232</u>	<u>392,480</u>	<u>1,579</u>	<u>18,346,291</u>	<u>165,499</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflows related to pension	<u>292,323</u>	<u>-</u>	<u>-</u>	<u>292,323</u>	<u>-</u>
Total deferred inflows of resources	<u>292,323</u>	<u>-</u>	<u>-</u>	<u>292,323</u>	<u>-</u>
<u>NET POSITION</u>					
Net investment in capital assets	30,806,805	2,145,478	38,548	32,990,831	-
Restricted for debt service	588,949	-	-	588,949	-
Unrestricted	<u>3,554,202</u>	<u>-</u>	<u>586</u>	<u>3,554,788</u>	<u>404,382</u>
Total net position	\$ <u>34,949,956</u>	<u>2,145,478</u>	<u>39,134</u>	<u>37,134,568</u>	<u>404,382</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>36,798</u>	
Net assets of business-type activities				\$ <u>37,171,366</u>	

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

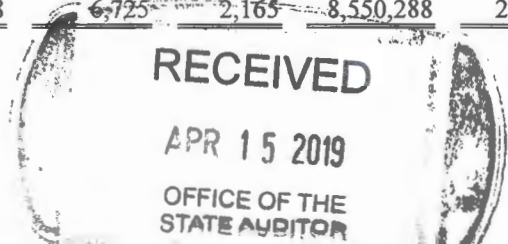
	Business-Type Activities Enterprise Funds				Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	
OPERATING REVENUES:					
Water sales	\$ 2,564,764	-	-	2,564,764	-
Sewer charges	7,277,217	-	-	7,277,217	-
Tap fees and connection fees	389,571	-	-	389,571	-
Late fees	58,596	-	-	58,596	-
Health and dental contributions	-	-	-	-	3,038,759
Golf course revenue	-	-	-	-	-
R/C track revenue	-	-	45,612	45,612	-
Total operating revenues	<u>10,290,148</u>	<u>-</u>	<u>45,612</u>	<u>10,335,760</u>	<u>3,038,759</u>
OPERATING EXPENSES:					
Personal services	2,388,623	-	-	2,388,623	-
Supplies	693,866	-	-	693,866	-
Other service charges	3,240,140	-	-	3,240,140	-
Depreciation	1,687,363	7,141	1,596	1,696,100	-
Claims expense	-	-	-	-	2,910,410
Golf course expenses	-	573,660	-	573,660	-
R/C track expenses	-	-	47,124	47,124	-
Total operating expenses	<u>8,009,992</u>	<u>580,801</u>	<u>48,720</u>	<u>8,639,513</u>	<u>2,910,410</u>
OPERATING INCOME (LOSS)	<u>2,280,156</u>	<u>(580,801)</u>	<u>(3,108)</u>	<u>1,696,247</u>	<u>128,349</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest income	78,402	86	177	78,665	5,569
Bond interest and fiscal charges	<u>(434,533)</u>	<u>(24,934)</u>	<u>-</u>	<u>(459,467)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(356,131)</u>	<u>(24,848)</u>	<u>177</u>	<u>(380,802)</u>	<u>5,569</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,924,025	(605,649)	(2,931)	1,315,445	133,918
Capital contributions	-	1,968,528	-	1,968,528	-
Transfers in	<u>-</u>	<u>2,912,823</u>	<u>-</u>	<u>2,912,823</u>	<u>-</u>
CHANGE IN NET POSITION	1,924,025	4,275,702	(2,931)	6,196,796	133,918
NET POSITION AT BEGINNING OF YEAR	<u>33,025,931</u>	<u>(2,130,224)</u>	<u>42,065</u>	<u>30,937,772</u>	<u>270,464</u>
NET POSITION AT END OF YEAR	\$ <u>34,949,956</u>	<u>2,145,478</u>	<u>39,134</u>	<u>37,134,568</u>	<u>404,382</u>
Net change in net position - total proprietary funds				\$ 6,196,796	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				<u>14,200</u>	
Net change in net position of business-type activities				\$ <u>6,210,996</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, 2018**

	Business-Type Activities				
	Enterprise Funds				
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 10,302,812	30,611	45,612	10,379,035	-
Health and dental contributions received	-	-	-	-	2,823,425
Cash paid to suppliers and employees	<u>(6,232,746)</u>	<u>(573,660)</u>	<u>(47,159)</u>	<u>(6,853,565)</u>	<u>(2,949,941)</u>
Net cash provided by (used in) operating activities	<u>4,070,066</u>	<u>(543,049)</u>	<u>(1,547)</u>	<u>3,525,470</u>	<u>(126,516)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	<u>2,912,823</u>	-	<u>2,912,823</u>	-
Net cash provided by non-capital financing activities	-	<u>2,912,823</u>	-	<u>2,912,823</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on bonds and notes	(995,010)	(2,325,000)	-	(3,320,010)	-
Increase (decrease) in amount due to other funds	334,464	-	(7,837)	326,627	10,330
Interest paid on bonds and notes	(442,983)	(48,612)	-	(491,595)	-
Acquisition of capital assets	<u>(2,185,495)</u>	-	-	<u>(2,185,495)</u>	-
Net cash provided by (used in) capital and related financing activities	<u>(3,289,024)</u>	<u>(2,373,612)</u>	<u>(7,837)</u>	<u>(5,670,473)</u>	<u>10,330</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Earnings on invested proceeds	<u>78,402</u>	<u>86</u>	<u>177</u>	<u>78,665</u>	<u>5,569</u>
Net cash provided by investing activities	<u>78,402</u>	<u>86</u>	<u>177</u>	<u>78,665</u>	<u>5,569</u>
Net increase (decrease) in cash and cash equivalents	859,444	(3,752)	(9,207)	846,485	(110,617)
Cash and cash equivalents at beginning of year (including \$1,099,411 in restricted accounts)	<u>7,681,954</u>	<u>10,477</u>	<u>11,372</u>	<u>7,703,803</u>	<u>368,413</u>
Cash and cash equivalents at end of year (including \$1,121,193 in restricted accounts)	\$ <u>8,541,398</u>	<u>6,725</u>	<u>2,165</u>	<u>8,550,288</u>	<u>257,796</u>

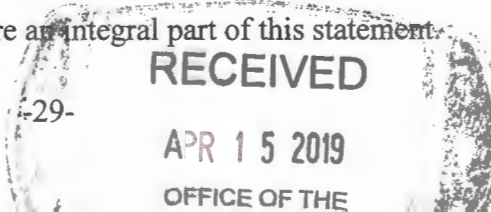


CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Business-Type Activities				
	Enterprise Funds				
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,280,156	(580,801)	(3,108)	1,696,247	128,349
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,687,363	7,141	1,596	1,696,100	-
(Increase) decrease in:					
Accounts receivable	(5,902)	30,611	-	24,709	(215,334)
Prepaid expenses	7,770	-	-	7,770	-
Deferred outflows related to pension	126,727	-	-	126,727	-
Increase (decrease) in:					
Accounts payable	(332,974)	-	(35)	(333,009)	(39,531)
Accrued compensated absences	1,957	-	-	1,957	-
Accrued liabilities	4,039	-	-	4,039	-
Customer deposits	18,566	-	-	18,566	-
Compensated absences - long-term	5,959	-	-	5,959	-
Net pension liability	300,183	-	-	300,183	-
Deferred inflows related to pension	(23,778)	-	-	(23,778)	-
Total adjustments	1,789,910	37,752	1,561	1,829,223	(254,865)
Net cash provided by (used in) operating activities	\$ 4,070,066	(543,049)	(1,547)	3,525,470	(126,516)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Amortization of deferred charges	\$ 12,151	16,832	-	28,983	-
Amortization of bond premium included in interest expense	\$ (11,390)	-	-	(11,390)	-
Capital contribution - golf course facilities	\$ -	1,968,528	-	1,968,528	-

The accompanying notes are an integral part of this statement.



CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
AS OF SEPTEMBER 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>1,693,627</u>
Total assets	\$ <u><u>1,693,627</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 61,899
Accrued liabilities	291,151
Due to other governments	<u>1,340,577</u>
Total liabilities	\$ <u><u>1,693,627</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Flowood, Mississippi (the City) was incorporated in 1953 and operates under a Mayor - Board of Alderpersons form of government. The City is a primary government with two separate component units. The City is organized into the following divisions: general government, legal, public safety (police and fire), court, public property maintenance, sanitation, health, street maintenance, recreation, shop and maintenance, landscape, and engineering.

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 governed by a seven-member board consisting of the Mayor, Board of Alderpersons 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 financial statements

The government-wide financial statements consist of the statement of net position 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 position

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CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Government-Wide and Fund Financial Statements - continued:

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, legal, public safety (police and fire), court, public works, sanitation, health, street maintenance, recreation, shop and maintenance, landscape and engineering. The business-type activities of the City include operation of the municipal golf course, water and sewer systems, and R/C park.

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 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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:

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 **City-Wide Capital Projects Fund** is used to account for financial resources to be used for the acquisition on construction of major capital facilities (other than those financed by business-type funds).

The City reports the following major proprietary funds:

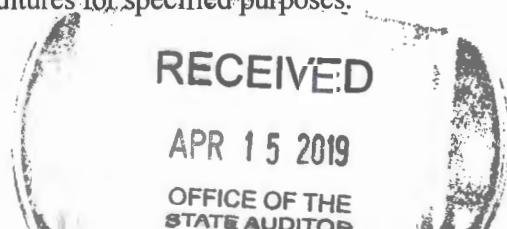
The **Water and Sewer Enterprise Fund** accounts for the activities of providing water and sewer services to the citizens of the City.

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

The **R/C Park Fund** accounts for the activities of the remote control vehicle track.

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.



CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

C. **Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:**

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 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 operations. The principal operating revenues of the proprietary funds of the City are charges to customers for sales and services. Operating expenses for the proprietary 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 and Investments**

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit which when purchased can be accessed at any point in time. The City did not hold any investments at September 30, 2018. Collateral, as further discussed in Note 3, is pledged by the various financial institutions to secure City funds.

E. **Receivables**

Receivables, net of estimated uncollectible amounts, are reported in the governmental and proprietary financial statements for goods and services, taxes, loans, grants, and interest. The estimated uncollectible amounts by fund are reported in Note 4.

F. **Prepaid Items**

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

G. **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

G. Deferred Outflows/Inflows of Resources - continued:

resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

H. Budgets and Budgetary Accounting

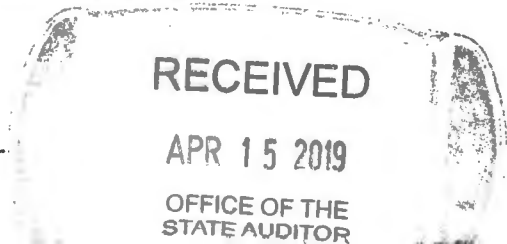
The Mayor and Board of Alderpersons annually approve the budget ordinance for the funds of the City of Flowood.

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 to be in accordance with generally accepted accounting principles. 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 Alderpersons 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.

I. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, motor vehicles, water system, sewer system, and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in both the governmental activities, business-type activities columns of the government-wide financial statements, and the proprietary fund statements. Capital asset thresholds are as follows:



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. Capital Assets - continued:

<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 acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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%

J. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue is a liability that arises when resources are obtained before revenue recognition criteria, other than time recognition criteria, have been satisfied. Resources that are obtained before time recognition criteria have been satisfied are classified as deferred inflows of resources.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

K. 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 fund financial statements all of the compensated absences are considered long-term and, therefore, are not a fund liability. An accrual of \$462,203 has been made in the Statement of Net Position for vacation time at September 30, 2018. No liability is recorded for nonvesting accumulating rights to receive sick pay.

L. Net Position and Fund Balances

Net position in government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and is reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

Restricted net position - This component of net position consists of restricted assets plus deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are composed of two major types which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, spendable fund balance is composed of four classifications designed to disclose the hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

L. Net Position and Fund Balances - continued:

- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

When expenditures are incurred for purposes for which amounts in any of the spendable fund balance classifications can be used, it is the City's policy to use restricted resources first, followed by committed amounts, assigned amounts and then unassigned amounts.

M. 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 Statement of Net Position 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.

N. Capitalization of Interest

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.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

P. Long-Term Liabilities - continued:

Position. Initial-issue bond premiums and discounts are deferred 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. The unamortized portion of the deferred amount on refunding is recorded as either a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs are expensed during the current period. Amortization of bond premiums, discounts, and deferred amounts on refunding are included in interest expense.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY TAX

Property taxes for fiscal year 2018 were levied in September 2017 on the assessed valuation of property located in the City of Flowood, Mississippi as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2019 property taxes levied in September 2018. The City has recorded deferred inflows for the estimated fiscal year 2019 real and personal property taxes as of September 30, 2018.

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own public utility taxes. Real, personal property, 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, 2018 were approximately 99% of the total tax levy.

The tax rate levied by the City for 2018 was set at 20.0 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 1.170
General Fund - Mississippi Development Bank Loans	0.685
G.O. Road Improvement	<u>0.145</u>
	\$ <u>2.000</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and investments are comprised of the following at September 30, 2018:

	Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	<u>Total</u>
Governmental activities:			
General fund	\$ 12,227,974	-	12,227,974
Recreation and tourism special tax fund	-	2,051,780	2,051,780
City-wide debt service	-	2,699,177	2,699,177
City-wide capital projects	-	20,205,254	20,205,254
Nonmajor governmental funds	-	356,474	356,474
Internal service fund	<u>257,796</u>	-	<u>257,796</u>
Total governmental activities	<u>12,485,770</u>	<u>25,312,685</u>	<u>37,798,455</u>
Business-type activities:			
Water and sewer fund	7,420,205	1,121,193	8,541,398
Golf course fund	6,725	-	6,725
R/C park fund	<u>2,165</u>	-	<u>2,165</u>
Total business-type activities	<u>7,429,095</u>	<u>1,121,193</u>	<u>8,550,288</u>
Government-wide total	\$ <u>19,914,865</u>	<u>26,433,878</u>	<u>46,348,743</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, 2018 are summarized as follows:

	Reported <u>Amount</u>	Bank <u>Balance</u>
Cash	\$ 30,299,678	30,640,867
Certificate of deposit	<u>16,049,065</u>	<u>16,049,065</u>
Total deposits	\$ <u>46,348,743</u>	<u>46,689,932</u>

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits - continued:

The difference of \$341,189 was principally due to outstanding checks. Of the bank balance, \$1,000,000 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, 2018, \$45,689,932 of the City's bank balance of \$46,689,932 was exposed to custodial credit risk as follows:

Guaranty Pool	\$ 45,689,932
Total	<u>\$ 45,689,932</u>

NOTE 4 - RECEIVABLES

Receivables at September 30, 2018 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>Due from Other Governments</u>	<u>Grants</u>	<u>Total Receivables</u>
Governmental activities:						
General fund	\$ 2,639,896	6,965,187	2,010,538	-	-	11,615,621
Recreation and tourism special tax fund	-	493,120	-	-	-	493,120
City-wide debt service fund	-	6,508	849,920	4,525,037	-	5,381,465
City-wide capital projects	-	-	-	-	-	-
Other non-major funds	-	-	-	-	31,347	31,347
Gross receivables	2,639,896	7,464,815	2,860,458	4,525,037	31,347	17,521,553
Less: Allowance for uncollectible accounts	(1,074,246)	-	-	-	-	(1,074,246)
Total governmental activities	<u>1,565,650</u>	<u>7,464,815</u>	<u>2,860,458</u>	<u>4,525,037</u>	<u>31,347</u>	<u>16,447,307</u>
Business-type activities:						
Water and sewer fund	1,047,588	-	-	-	-	1,047,588
Golf course fund	29,639	-	-	-	-	29,639
Gross receivables	1,077,227	-	-	-	-	1,077,227
Less: Allowance for uncollectible accounts	(213,326)	-	-	-	-	(213,326)
Total business-type activities	<u>863,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,901</u>
Government-wide total	<u>\$ 2,429,551</u>	<u>7,464,815</u>	<u>2,860,458</u>	<u>4,525,037</u>	<u>31,347</u>	<u>17,311,208</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 - LONG-TERM RECEIVABLES

Special assessments receivable in the amount of \$2,860,458 at September 30, 2018 are reported at the net present value of amounts due from property owners to fund the debt service on special assessment bonds issued to fund improvements on the North Flowood Drive extension and Wirtz Road extension projects.

Amounts due from other governments at September 30, 2018, in the amount of \$4,525,037 represents the net present value of amounts due from Rankin County, Mississippi in accordance with five interlocal pledge agreements designed to provide funds for the payment of the tax increment financing bonds in the City. The amounts to be paid are based on the added incremental increase in ad valorem taxes to be collected by the County as a result of the projects completed by the City in prior years. The amounts due from the County are irrevocable until all outstanding liabilities of the projects are paid in full.

Long-term receivables are expected to be collected as follows:

Fiscal Year Ending <u>September 30,</u>	Special Assessments <u>Receivable</u>	Due from Other <u>Governments</u>
2019	\$ 282,660	685,512
2020	255,502	690,080
2021	255,502	697,023
2022	255,502	703,638
2023	255,502	706,864
2024-2028	1,277,510	1,760,046
2029-2032	<u>782,243</u>	<u>-</u>
Total payments due under agreements	3,364,421	5,243,163
Less discount to present value	<u>(503,963)</u>	<u>(718,126)</u>
Total long-term receivables	\$ <u>2,860,458</u>	<u>4,525,037</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

	Balance at October 1, 2017	Increases	Decreases	Balance at September 30, 2018
Governmental activities:				
Nondepreciable assets:				
Land	\$ 37,504,029	239,529	-	37,743,558
Construction in progress	1,061,915	2,075,395	-	3,137,310
Total	<u>38,565,944</u>	<u>2,314,924</u>	<u>-</u>	<u>40,880,868</u>
Buildings	16,020,494	160,958	-	16,181,452
Improvements other than buildings	21,299,273	-	-	21,299,273
Machinery and equipment	11,657,505	1,116,933	(376,562)	12,397,876
Infrastructure	<u>103,947,916</u>	<u>37,705</u>	<u>-</u>	<u>103,985,621</u>
Total	<u>152,925,188</u>	<u>1,315,596</u>	<u>(376,562)</u>	<u>153,864,222</u>
Total capital assets	<u>191,491,132</u>	<u>3,630,520</u>	<u>(376,562)</u>	<u>194,745,090</u>
Less accumulated depreciation for:				
Buildings	(3,025,404)	(271,338)	-	(3,296,742)
Improvements other than buildings	(5,501,011)	(739,360)	-	(6,240,371)
Machinery and equipment	(7,333,745)	(980,958)	338,906	(7,975,797)
Infrastructure	<u>(56,322,711)</u>	<u>(2,542,828)</u>	<u>-</u>	<u>(58,865,539)</u>
Total accumulated depreciation	<u>(72,182,871)</u>	<u>(4,534,484)</u>	<u>338,906</u>	<u>(76,378,449)</u>
Total governmental activities - capital assets, net	\$ <u>119,308,261</u>	<u>(903,964)</u>	<u>(37,656)</u>	<u>118,366,641</u>

Approximately \$29,523,000 of the land reported in the governmental activities above was purchased by the Airport Parkway Commission and deeded to the City as part of the Airport Parkway project. The City has also purchased approximately \$856,000 of land reported in the governmental activities above to be used for construction of the West Rankin Parkway. The land will ultimately be conveyed to the State of Mississippi upon completion of both projects.

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

General government	\$ 114,906
Public safety	954,049
Court	1,751
Public property maintenance	138,648
Street maintenance	2,675,594



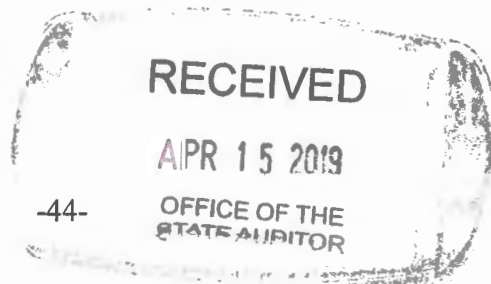
CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

Recreation	\$ 625,948
Shop and maintenance	2,749
Landscape	9,875
Health	1,377
Legal	1,139
Engineering	<u>8,448</u>
 Total depreciation expense - governmental activities	 \$ <u>4,534,484</u>

	Balance at October 1, 2017	Increases	Decreases	Balance at September 30, 2018
Business-type activities:				
Nondepreciable assets:				
Land	\$ 766,808	-	-	766,808
Construction in progress	<u>3,122,392</u>	<u>3,898,470</u>	-	<u>7,020,862</u>
Total	<u>3,889,200</u>	<u>3,898,470</u>	-	<u>7,787,670</u>
Depreciable assets:				
Machinery and equipment	1,374,431	48,019	-	1,422,450
Water distribution systems	62,107,823	207,534	-	62,315,357
Golf course facilities	3,778,760	-	-	3,778,760
R/C park facilities	<u>49,683</u>	-	-	<u>49,683</u>
Total	<u>67,310,697</u>	<u>255,553</u>	-	<u>67,566,250</u>
Total capital assets	<u>71,199,897</u>	<u>4,154,023</u>	-	<u>75,353,920</u>
 Less accumulated depreciation for:				
Machinery and equipment	(1,133,278)	(48,034)	-	(1,181,312)
Water distribution systems	(23,351,013)	(1,639,330)	-	(24,990,343)
Golf course facilities	(3,610,184)	(7,139)	-	(3,617,323)
R/C park facilities	<u>(9,538)</u>	<u>(1,597)</u>	-	<u>(11,135)</u>
Total accumulated depreciation	<u>(28,104,013)</u>	<u>(1,696,100)</u>	-	<u>(29,800,113)</u>
 Total business-type activities - capital assets, net	 \$ <u>43,095,884</u>	<u>2,457,923</u>	-	<u>45,553,807</u>



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS - CONTINUED:

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

Golf course	\$ 7,141
Water and sewer	1,687,363
R/C park facilities	<u>1,596</u>
Total depreciation expense - business-type activities	\$ <u>1,696,100</u>

NOTE 7 - 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, 2018:

	Beginning Balance October 1, 2017	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2018	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 23,032,812	25,000,000	1,791,903	46,240,909	2,056,620
General obligation premium	659,293	-	54,941	604,352	54,941
Limited obligation bonds	3,250,000	-	268,500	2,981,500	281,000
Limited obligation discount	(46,985)	-	(3,615)	(43,370)	(3,615)
Special obligation bonds	10,218,163	-	895,968	9,322,195	923,194
Special obligation premium	206,610	-	14,739	191,871	14,739
Capital lease obligations	1,304,614	-	375,131	929,483	255,463
Compensated absences	<u>389,484</u>	<u>14,068</u>	<u>-</u>	<u>403,552</u>	<u>62,310</u>
Government activities total	<u>39,013,991</u>	<u>25,014,068</u>	<u>3,397,567</u>	<u>60,630,492</u>	<u>3,644,652</u>
Business-type activities:					
Revenue bonds	5,410,000	-	2,785,000	2,625,000	480,000
General obligation bonds	1,480,188	-	71,097	1,409,091	75,380
General obligation premium	41,770	-	3,481	38,289	3,481
Special obligation bonds	5,966,829	-	309,032	5,657,797	316,806
Special obligation premium	112,041	-	7,909	104,132	7,909
Notes	2,797,380	-	154,881	2,642,499	168,381
Compensated absences	<u>50,735</u>	<u>7,916</u>	<u>-</u>	<u>58,651</u>	<u>7,522</u>
Business-type activities total	<u>15,858,943</u>	<u>7,916</u>	<u>3,331,400</u>	<u>12,535,459</u>	<u>1,059,479</u>
Government-wide total	\$ <u>54,872,934</u>	<u>25,021,984</u>	<u>6,728,967</u>	<u>73,165,951</u>	<u>4,704,131</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2018 were as follows:

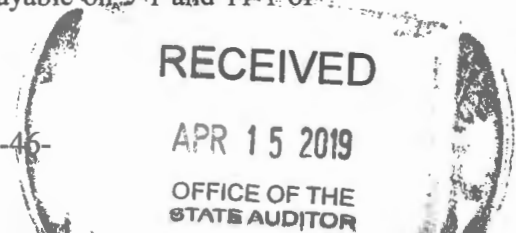
Fiscal Year Ending	General		Limited		Governmental Activities Special		Leases Payable		Total	
	Obligation Bonds		Obligation Bonds		Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
September 30										
2019	\$ 2,111,561	1,253,433	277,385	132,296	937,933	361,669	255,463	23,614	3,582,342	1,771,012
2020	2,270,467	1,189,607	289,885	120,647	528,216	330,695	261,972	17,105	3,350,540	1,658,054
2021	3,194,042	1,115,021	301,385	108,242	543,497	315,062	268,648	10,429	4,307,572	1,548,754
2022	3,281,902	1,035,840	281,385	95,208	558,779	298,970	143,400	3,585	4,265,466	1,433,603
2023	3,391,193	960,066	292,385	82,862	574,061	281,655	-	-	4,257,639	1,324,583
2024-2028	17,791,511	3,654,376	1,111,540	195,192	3,246,243	1,008,709	-	-	22,149,294	4,858,277
2029-2034	7,974,585	1,817,417	384,165	28,463	3,125,337	260,474	-	-	11,484,087	2,106,354
2034-2038	6,830,000	663,306	-	-	-	-	-	-	6,830,000	663,306
	\$ 46,845,261	11,689,066	2,938,130	762,910	9,514,066	2,857,234	929,483	54,733	60,226,940	15,363,943

Fiscal Year Ending	General		Revenue Bonds		Business-Type Activities Special		Notes Payable		Total	
	Obligation Bonds				Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
September 30										
2019	\$ 78,861	49,275	480,000	94,331	324,715	219,942	168,381	46,556	1,051,957	410,104
2020	155,955	45,858	500,000	79,331	334,433	210,292	171,466	43,470	1,161,854	378,951
2021	159,380	41,232	525,000	62,456	344,151	200,351	174,610	40,327	1,203,141	344,366
2022	164,520	35,673	550,000	43,425	353,869	190,118	177,812	37,125	1,246,201	306,341
2023	172,229	29,077	570,000	22,800	363,587	179,107	181,072	33,865	1,286,888	264,849
2024-2028	601,599	67,360	-	-	2,056,996	641,447	956,408	118,277	3,615,003	827,084
2029-2034	114,836	1,949	-	-	1,984,178	165,637	812,750	30,096	2,911,764	197,682
2034-2038	-	-	-	-	-	-	-	-	-	-
	\$ 1,447,380	270,424	2,625,000	302,343	5,761,929	1,806,894	2,642,499	349,716	12,476,808	2,729,377

Bonds and notes payable at September 30, 2018 are comprised of the following individual issues:

General Obligation Bonds:

- \$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. \$ 250,000
- \$10,715,000 Refunding Series 2010 due in annual installments of \$340,000 to \$765,000, payable on 3-1 of each year through 3-1-30; and interest at 3.00% to 4.375%, payable on 3-1 and 9-1 of each year. 1,520,000
- \$1,540,000 Special Assessment Bonds Series 2009 due in annual installments of \$78,000 to \$738,000 on 11-1 of each year through 11-1-2029; and interest at 3.20% to 4.5%, payable on 5-1 and 11-1 of each year. 1,085,000



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

General Obligation Bonds - continued:

\$6,413,000 General Obligation Refunding Bonds Series 2017 due in annual installments of \$340,000 to \$765,000, payable on 3-1 of each year through 3-1-30; and interest at 1.5% to 2.5%, payable on 3-1 and 9-1 of each year. \$ 6,335,000

\$9,450,000 Refunding Series 2014 due in annual installments of \$400,000 to \$650,000, payable on 10-1 of each year through 10-1-28, net of unamortized premium of \$604,352 at September 30, 2018; and interest at 2.00% to 4.00%, payable on 4-1 and 10-1 of each year.

General Fund	\$ 7,420,261	
Water & Sewer Enterprise Fund	<u>1,447,380</u>	8,867,641

\$5,200,000 Tax-Exempt Refunding Series 2015 due in annual installments of \$330,000 to \$560,000, payable on 11-1 of each year through 11-1-25; and interest at 1.7125%, payable on 5-1 and 11-1 of each year. 3,795,000

\$1,845,000 Taxable Refunding Series 2015 due in annual installments of \$135,000 to \$180,000, payable on 11-1 of each year through 11-1-26; and interest at 3.28%, payable on 5-1 and 11-1 of each year. 1,440,000

\$5,000,000 General Obligation Capital Improvements Series 2017 due in annual installments of \$190,000 to \$3,165,000 (initial payment due 11-1-18), payable on 11-1 of each year through 11-1-27; and interest at 2.375% to 3.200%, payable on 5-1 and 11-1 of each year. 5,000,000

\$20,000,000 Taxable General Obligation Urban Renewal Series 2017 due in annual installments of \$855,000 to \$1,470,000 (initial payment due 11-1-2020), payable on 11-1 of each year through 11-1-37; and interest at 2.073% to 3.772%, payable on 5-1 and 11-1 of each year. 20,000,000

\$ 48,292,641

Revenue Bonds:

\$5,730,000 Mississippi Development Bank Special Obligations Bonds, water and sewer system refunding project series 2010A, due in annual installments of \$180,000 beginning 6-1-11 with the annual principal payments increasing to a final payment of \$570,000, due 6-1-2023; and interest at 2.80%, payable on 6-1 and 12-1 of each year. \$ 2,625,000

\$ 2,625,000

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds:

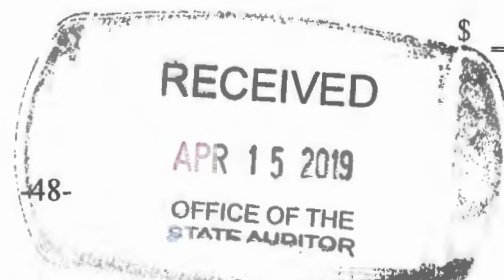
\$380,000 2001 Tax Increment Financing Bond due in annual installments of \$5,000 to \$36,000, payable on 4-1-2007 through 4-1-2021; and interest at 4.52%, payable on 10-1 and 4-1 of each year beginning with 10-1-2006 and ending with 4-1-2021. \$ 103,500

\$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 on 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. 905,000

\$7,000 to \$29,000, payable 5-1-2011 through 5-1-2025; and interest at 4.00%, payable on 5-1 and 11-1 of each year beginning with 5-1-11 and ending with 5-1-2025. 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 20.00 mills annually. 178,000

\$2,700,000 Tax Increment Financing Bond due in annual installments of \$100,000 to \$200,000, payable 5-1-2011 through 5-1-2029; and interest varying annually from 3.00% to 4.80%, payable on 5-1 and 11-1 of each year beginning with 5-1-10 and ending with 5-1-2029, net of unamortized discount of \$43,370 at September 30, 2018. 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 20.00 mills annually. 1,751,630

\$ 2,938,130



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Special Obligation Bonds:

\$9,125,000 Mississippi Development Bank Special Obligation Bonds, Series 2009 Refunding Project. The funds were used to refund all or a portion of three notes payable to the Mississippi Development Bank. \$5,365,000 of the Series 2009 Refunding Project was partially refunded in an advance refunding during fiscal year 2015 with proceeds from the \$9,450,000 G.O. Refunding Series 2014 bonds. \$6,189,817 of the \$9,450,000 G.O. Refunding Series 2014 bonds were paid to the refunded bond escrow agent during fiscal year 2015 as a result of the advance refunding. The remaining bonds are due in annual installments of \$375,000 to \$425,000 payable on January 1, 2016 through January 1, 2019. Interest is at 3.00% to 5.30%, payable on 1-1 and 7-1 of each year beginning 7-1-09 and ending 1-1-19. \$ 425,000

\$19,080,000 Mississippi Development Bank Special Obligation Bonds, Refunding Project Series 2011. The funds were used to refund all the notes payable to the Mississippi Development Bank. The bonds are due in annual installments of \$725,000 to \$1,335,000 payable on November 1, 2012 through November 1, 2031, net of unamortized premium of \$296,003 at September 30, 2018. Interest is at 2.00% to 5.00%, payable on 5-1 and 11-1 of each year beginning 5-1-12 and ending 11-1-31, net of unamortized premium of \$318,651 at September 30, 2017:

General Fund	\$ 9,089,066	
Water & Sewer Enterprise Fund	<u>5,761,929</u>	<u>14,850,995</u>
		\$ <u>15,275,995</u>

Notes:

\$1,000,000 note payable to the Mississippi Development Authority under the Authority's Capital Improvement Revolving Loan Program. The note is due in monthly installments starting June 2013 through May 2033 with interest at 2.00%. The note is to be paid by the City's Water and Sewer Enterprise Fund. \$ 779,142

\$2,582,892 note payable to the State of Mississippi Commission on Environmental Quality acting through the Department of Environmental Quality under MDEQ's Water Pollution Control Revolving Loan Fund. The note is payable in monthly installments for 238 months starting on June 2012 with interest at 1.75%. This note is to be paid by the City's Water and Sewer Enterprise Fund. 1,863,357

\$ 2,642,499

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Capital Lease Obligations

The City entered into a lease agreement for financing the acquisition of ten police vehicles in 2015 and two fire trucks, one in 2016 and one in 2017. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of the future minimum lease payments as of the inception dates. The ten police vehicles purchased under the capital leases total \$370,105 and are included in the capital assets of the City. The fire trucks purchased under capital leases total \$1,294,782 and are also included in the capital assets of the City. The amortization of the assets has been included in the City's depreciation expense. Obligations of the City's governmental activities under capital leases at September 30, 2018 are as follows:

Year ending September 30,			
2019	\$	255,463	23,614 279,077
2020		261,972	17,105 279,077
2021		268,648	10,429 279,077
2022		<u>143,400</u>	<u>3,585 146,985</u>
Total lease payments	\$	<u>929,483</u>	<u>54,733 984,216</u>

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.

Advance Refunding

During fiscal year 2015, the City issued \$9,450,000 General Obligation Refunding Bonds, Series 2014. Of the proceeds, \$6,189,817 was deposited into an irrevocable trust to provide for future debt service payments on certain maturities of the \$9,125,000 Mississippi Development Bank Special Obligation Bonds, Series 2009 Refunding Project, callable as of January 1, 2019. As a result, the refunded portion of the Series 2009 bonds is considered defeased and the escrowed assets and liability for the bonds have been removed from the financial statements. The balance of the bonds considered defeased was \$5,365,000. The reacquisition price exceeded the net carrying amount of the old debt by \$824,826. This amount is amortized over the life of the refunded debt, which is the same as the original debt and is presented as a deferred outflow of resources. The unamortized balance at September 30, 2018 was \$500,574. This advance refunding was undertaken to reduce debt service payments over the years 2015 through 2028 by \$826,584 and resulted in an economic gain of \$722,125.

During fiscal year 2017, the City issued \$6,413,000 General Obligation Refunding Bonds, Series 2017. Of the proceeds, \$6,293,842 was deposited into an irrevocable trust to provide for future debt service payments on certain maturities of the \$10,715,000 Refunding Series 2010, callable as of

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Advance Refunding - continued:

March 1, 2020. As a result, the refunded portion of the Series 2010 bonds is considered defeased and the escrowed assets and liability for the bonds have been removed from the financial statements. The balance of the bonds considered defeased was \$5,880,000. The reacquisition price exceeded the net carrying amount of the old debt by \$413,843. This amount is amortized over the life of the refunded debt, which is the same as the original debt and is presented as a deferred outflow of resources. The unamortized balance at September 30, 2018 was \$357,053. This advance refunding was undertaken to reduce debt service payments over the years 2017 through 2030 which equates to a net present value savings of \$380,865.

NOTE 8 - INTERFUND ADVANCES AND TRANSFERS

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2018:

Advances

Advances to/from other funds at September 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Nonmajor Funds	\$ 31,347
	City-Wide Debt Service	350,253
	Water and Sewer Enterprise Fund	100,613
	R/C Track Fund	1,067
	Golf Course Enterprise Fund	122,532
	Recreational and Tourism	20,079
	Employee Health and Dental Fund	10,751
	City-Wide Capital Projects	4,916
	City-Wide Capital Projects	Recreational and Tourism
Water and Sewer Enterprise Fund		387,906
City-Wide Debt Service	Recreational and Tourism	54,163
Golf Course Enterprise Fund	City-Wide Capital Projects	392,480
Employee Health and Dental Fund	Water and Sewer Enterprise Fund	421
Recreational and Tourism	Water and Sewer Enterprise Fund	201
		<u>\$ 1,483,231</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.

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CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 - INTERFUND ADVANCES AND TRANSFERS - CONTINUED:

Transfers

Transfers in/out from other funds at September 30, 2018 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
City-Wide Debt Service	General Fund	\$ 2,693,224
	Recreational and Tourism	475,000
Golf Course Enterprise Fund	Recreational and Tourism	2,912,823
City-Wide Capital Projects	Recreational and Tourism	49,385
	General Fund	59,199
		<u>\$ 6,189,631</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, and (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 9 - 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.

The City has been notified by the U.S. Environmental Protection Agency Office of Inspector General that costs in the amount of \$1,226,153 claimed under an EPA grant that funded improvements to the City's wastewater system during the period February 10, 1995 (date of award) through the fiscal year ended September 30, 2006 are being questioned. The City is contesting the questioned costs and believes the matter will be resolved with the City not required to repay any of the questioned costs.

Litigation

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.



CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended September 30, 2018, the City's total payroll for all employees was \$10,208,323. Total covered payroll was \$10,088,570. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

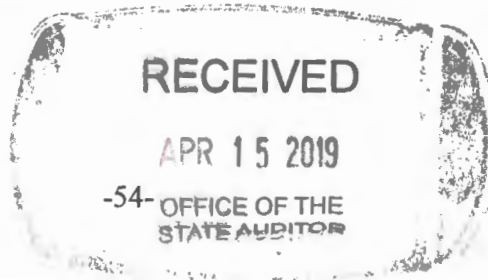
Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ended September 30, 2018, 2017 and 2016 were \$1,588,950, \$1,550,838, and \$1,507,347, respectively, which equaled the required contributions for each year.

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

At September 30, 2018, the City reported a liability of \$26,280,095 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was 0.1580 percent, which was an increase of 0.0055 percent from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$3,335,032. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 144,663	121,614
Changes in assumptions	17,022	19,260



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,392,893	1,941,783
Changes in proportion and differences between City contributions and proportionate share of contributions	935,883	8,975
City contributions subsequent to the measurement date	<u>378,764</u>	<u>-</u>
Total	\$ <u>2,869,225</u>	<u>2,091,632</u>

The \$378,764 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30,	
2019	\$ 680,290
2020	225,811
2021	(389,089)
2022	<u>(118,183)</u>
Total	\$ <u>398,829</u>

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of Plan investment expense, including inflation

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017. Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with rates set forward for one year for males with adjustments.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	<u>1.00%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2018, actuarial valuations, calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	<u>City's Proportionate Share of Net Pension Liability</u>
1.00% decrease (6.75%)	\$ 34,603,343
Current discount rate (7.75%)	26,280,095
1.00% increase (8.75%)	19,362,375

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi's financial report.

NOTE 11 - RISK MANAGEMENT

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

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 provide that the pools will be self-sustaining through member premiums.



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 12 - HEALTH SELF-INSURANCE PLAN

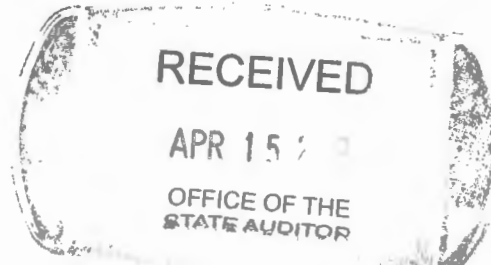
The City has established a Risk Pool Agreement authorized by Section 25-15-101 of the Mississippi Code to be self-insured for its employee group health and dental plan. The City contributes \$807 per month per employee to the plan to cover each employee and each employee, at their option, authorizes 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 \$50,000 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, 2018, the City was reimbursed \$497,487 for losses in excess of \$50,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at September 30, 2018 is based on the requirements 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 reported. Because actual claims liabilities depend on numerous complex factors, the process used in computing the 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 2016 through 2018 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Fiscal Year
2015-2016	\$ 140,191	1,688,312	1,714,290	114,213
2016-2017	114,213	1,789,974	1,709,487	194,700
2017-2018	194,700	1,682,522	1,722,053	155,169



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 13 - COMMITMENTS

At September 30, 2018, the City had entered into contracts to acquire and construct municipal facilities and infrastructure as follows:

Project	Contract Type	Total Contract Amount	Cost Incurred as of September 30, 2018	Commitment Outstanding as of September 30, 2018
Water Utility Improvements	Engineering	\$ 1,487,529	1,021,359	466,170
Liberty Road and Northeast Water Wells	Construction	892,315	552,032	340,283
Northeast Water Tank on MS Hwy 25	Construction	1,601,000	1,499,666	101,334
Northeast Well and Liberty Road Well	Construction	1,935,734	1,060,534	875,200
Old Fannin Road Overlay	Construction	84,297	-	84,297
Conference Center Road	Construction	2,241,535	-	2,241,535
Liberty Park Turf	Construction	1,804,452	-	1,804,452
Refuge Golf Course Improvements	Construction	1,898,952	1,638,277	260,675
Total			\$	<u>6,173,946</u>

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. The implementation of this statement in Fiscal year 2018 did not impact the City's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The requirements of this Statement are effective for periods beginning after December 15, 2016. The implementation of this statement in Fiscal year 2018 did not impact the City's financial statements.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB Statement No. 85, Omnibus 2017, issued March 2017, enhances consistency in the application of accounting and financial reporting requirements. Consistent reporting improves the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City implemented this statement in Fiscal Year 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, increases consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement enhances the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The implementation of this statement in Fiscal year 2018 did not impact the City's financial statements.

Recently Issued Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

GASB Statement No. 87, *Leases*, issued June 2017, will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018, improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 90, *Majority Equity Interests* as an amendment of GASB Statements No. 14 and No. 61, issued August 2018, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and also improves the \this Statement are effective for periods beginning after December 15, 2018. This accounting pronouncement is not expected to impact the City's financial statements.

NOTE 15 - TAX ABATEMENTS

The City has granted four local businesses ad valorem tax exemption as allowed under Section 27-31-105, Mississippi Code of 1972, as amended. Under applicable Sections of Mississippi Code of 1972, as amended, municipal authorities are authorized and empowered, in their discretion, to

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

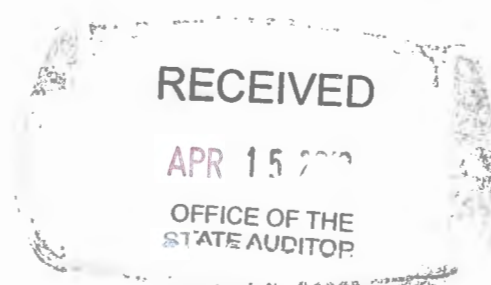
NOTE 15 - TAX ABATEMENTS - CONTINUED:

grant exemptions from ad valorem taxation to new enterprises or additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises as defined in Section 27-31-101 and Section 21-31-105, Mississippi Code of 1972, as amended.

For the fiscal year ended September 30, 2018, the City abated ad valorem taxes for local businesses in the amount of \$240,807 as allowed by Section 27-31-101 and Section 27-31-105, Mississippi Code of 1972, as amended. The exemptions expire in fiscal years 2018 through 2022.

NOTE 16 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through March 25, 2019, the date the financial statements were approved by the City's management and thereby available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A



CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<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	\$ 5,252,500	5,258,500	5,255,966	(2,534)
Prior years ad valorem	22,000	18,000	19,415	1,415
Interest and penalties	11,000	15,000	16,954	1,954
Special assessments	177,000	175,000	150,323	(24,677)
Franchise fees	525,000	588,000	588,249	249
Licenses and permits	450,000	500,000	475,484	(24,516)
Intergovernmental	12,065,000	12,449,000	12,541,318	92,318
Charges for services	7,500	100,000	187,570	87,570
Fines and forfeits	1,100,000	950,000	1,003,564	53,564
Interest earned	20,000	85,000	96,273	11,273
Miscellaneous	60,000	38,000	36,716	(1,284)
Total revenues	<u>19,690,000</u>	<u>20,176,500</u>	<u>20,371,832</u>	<u>195,332</u>
EXPENDITURES:				
General government	1,480,000	1,490,000	1,465,362	24,638
Public safety	10,832,600	10,265,000	9,800,973	464,027
Court	764,000	647,000	597,511	49,489
Public property maintenance	802,000	758,500	666,916	91,584
Sanitation	318,000	345,000	339,945	5,055
Health	85,000	92,500	85,174	7,326
Street maintenance	2,487,500	2,905,000	1,640,492	1,264,508
Shop and maintenance	531,950	551,450	526,596	24,854
Landscape	574,000	533,000	500,075	32,925
Legal	337,000	288,500	283,457	5,043
Recreation	-	885,000	839,120	45,880
Engineering	159,800	158,300	152,973	5,327
Total expenditures	<u>18,271,850</u>	<u>18,919,250</u>	<u>16,898,594</u>	<u>2,020,656</u>
Excess of revenues over expenditures	<u>1,318,150</u>	<u>1,257,250</u>	<u>3,473,238</u>	<u>2,215,988</u>
Other financing sources (uses):				
Transfers out	<u>(3,477,000)</u>	<u>(2,883,000)</u>	<u>(2,752,423)</u>	<u>130,577</u>
Total financing sources (uses)	<u>(3,477,000)</u>	<u>(2,883,000)</u>	<u>(2,752,423)</u>	<u>130,577</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
EXPENDITURES - CONTINUED:				
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ (2,158,850)	(1,625,750)	720,815	2,346,565
Fund balances at beginning of year	<u>11,293,438</u>	<u>11,293,438</u>	<u>11,293,438</u>	<u>-</u>
Fund balance at end of year	\$ <u>9,134,588</u>	<u>9,667,688</u>	<u>12,014,253</u>	<u>2,346,565</u>

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

Fund Balance - budgetary basis	\$ 12,014,253
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	106,313
Special assessments	27,159
Intergovernmental	1,958,786
Police fines	22,177
Prepaid expenses	142,573
Less: accounts payable paid after October 30, 2018	<u>(50,981)</u>
Fund Balance - GAAP basis	\$ <u>14,220,280</u>

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
General government:				
Personal services	\$ 1,065,000	1,060,000	1,054,436	5,564
Supplies	55,000	55,000	50,456	4,544
Other services and charges	325,000	355,000	344,160	10,840
Capital outlay	35,000	20,000	16,310	3,690
Total general government	<u>1,480,000</u>	<u>1,490,000</u>	<u>1,465,362</u>	<u>24,638</u>
Public safety:				
Police:				
Personal services	4,360,000	4,120,000	3,933,783	186,217
Supplies	340,000	275,000	242,463	32,537
Other services and charges	448,800	440,000	412,932	27,068
Capital outlay	239,800	210,000	161,624	48,376
Total police	<u>5,388,600</u>	<u>5,045,000</u>	<u>4,750,802</u>	<u>294,198</u>
Fire:				
Personal services	4,505,000	4,380,000	4,313,291	66,709
Supplies	240,000	180,000	159,849	20,151
Other services and charges	340,000	290,000	273,013	16,987
Capital outlay	359,000	370,000	304,018	65,982
Total fire	<u>5,444,000</u>	<u>5,220,000</u>	<u>5,050,171</u>	<u>169,829</u>
Total public safety	<u>10,832,600</u>	<u>10,265,000</u>	<u>9,800,973</u>	<u>464,027</u>
Court:				
Personal services	480,000	435,000	418,065	16,935
Supplies	14,000	14,000	11,698	2,302
Other services and charges	260,000	190,000	160,860	29,140
Capital outlay	10,000	8,000	6,888	1,112
Total court	<u>764,000</u>	<u>647,000</u>	<u>597,511</u>	<u>49,489</u>
Public property maintenance:				
Personal services	78,500	78,500	78,161	339
Supplies	45,000	45,000	32,053	12,947
Other services and charges	518,500	475,000	447,590	27,410
Capital outlay	160,000	160,000	109,112	50,888
Total public property maintenance	<u>802,000</u>	<u>758,500</u>	<u>666,916</u>	<u>91,584</u>



CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Sanitation:				
Personal services	\$ -	-	-	-
Supplies	-	-	-	-
Other services and charges	318,000	345,000	339,945	5,055
Capital outlay	-	-	-	-
Total sanitation	<u>318,000</u>	<u>345,000</u>	<u>339,945</u>	<u>5,055</u>
Health:				
Personal services	26,000	21,000	17,540	3,460
Supplies	57,500	70,000	67,634	2,366
Other services and charges	1,500	1,500	-	1,500
Capital outlay	-	-	-	-
Total health	<u>85,000</u>	<u>92,500</u>	<u>85,174</u>	<u>7,326</u>
Street maintenance:				
Personal services	1,285,000	1,295,000	1,276,772	18,228
Supplies	130,500	195,000	-	195,000
Other services and charges	972,000	1,315,000	271,880	1,043,120
Capital outlay	100,000	100,000	91,840	8,160
Total street maintenance	<u>2,487,500</u>	<u>2,905,000</u>	<u>1,640,492</u>	<u>1,264,508</u>
Shop:				
Personal services	210,000	222,000	218,722	3,278
Supplies	269,450	269,450	253,270	16,180
Other services and charges	50,000	50,000	44,956	5,044
Capital outlay	2,500	10,000	9,648	352
Total shop	<u>531,950</u>	<u>551,450</u>	<u>526,596</u>	<u>24,854</u>
Landscape:				
Personal services	390,000	365,000	352,413	12,587
Supplies	112,000	90,000	75,602	14,398
Other services and charges	32,000	38,000	33,834	4,166
Capital outlay	40,000	40,000	38,226	1,774
Total landscape	<u>574,000</u>	<u>533,000</u>	<u>500,075</u>	<u>32,925</u>

CITY OF FLOWOOD, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND EXPENDITURES - CONTINUED:
 YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Legal:				
Personal services	\$ 312,000	267,000	264,908	2,092
Supplies	3,000	2,000	1,622	378
Other services and charges	22,000	19,500	16,927	2,573
Capital outlay	-	-	-	-
Total legal	<u>337,000</u>	<u>288,500</u>	<u>283,457</u>	<u>5,043</u>
Recreation:				
Personal services	-	570,000	558,841	11,159
Supplies	-	160,000	142,604	17,396
Other services and charges	-	155,000	137,675	17,325
Capital outlay	-	-	-	-
Total recreation	<u>-</u>	<u>885,000</u>	<u>839,120</u>	<u>45,880</u>
Engineering:				
Personal services	108,000	110,000	108,057	1,943
Supplies	8,000	5,500	4,593	907
Other services and charges	13,800	13,800	11,887	1,913
Capital outlay	30,000	29,000	28,436	564
Total engineering	<u>159,800</u>	<u>158,300</u>	<u>152,973</u>	<u>5,327</u>
Total expenditures	<u>\$ 18,371,850</u>	<u>18,919,250</u>	<u>16,898,594</u>	<u>2,020,656</u>



See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RECREATION AND TOURISM SPECIAL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Intergovernmental	\$ 3,225,000	3,075,000	3,118,516	43,516
Contributions	50,000	51,000	51,100	100
Interest earned	6,000	35,000	30,650	(4,350)
Charges for services	115,000	-	2,240	2,240
Miscellaneous	-	-	-	-
Total revenues	<u>3,396,000</u>	<u>3,161,000</u>	<u>3,202,506</u>	<u>41,506</u>
EXPENDITURES:				
Recreation:				
Personal services	735,000	-	-	-
Supplies	183,400	-	-	-
Other services and charges	411,100	225,000	212,318	12,682
Capital outlay	83,700	675,000	464,387	210,613
Total expenditures	<u>1,413,200</u>	<u>900,000</u>	<u>676,705</u>	<u>223,295</u>
Excess of revenues over expenditures	<u>1,982,800</u>	<u>2,261,000</u>	<u>2,525,801</u>	<u>264,801</u>
Other financing sources (uses):				
Transfers out	<u>(4,574,000)</u>	<u>(3,525,000)</u>	<u>(3,437,208)</u>	<u>87,792</u>
Total other financing sources (uses)	<u>(4,574,000)</u>	<u>(3,525,000)</u>	<u>(3,437,208)</u>	<u>87,792</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>(2,591,200)</u>	<u>(1,264,000)</u>	<u>(911,407)</u>	<u>352,593</u>
Fund balance at beginning of year	<u>2,608,692</u>	<u>2,608,692</u>	<u>2,608,692</u>	<u>-</u>
Fund balance at end of year	\$ <u>17,492</u>	<u>1,344,692</u>	<u>1,697,285</u>	<u>352,593</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 1,697,285
Adjustment to GAAP basis:	
Add accrued sales tax revenue	<u>493,120</u>
Fund balance - GAAP basis	<u>2,190,405</u>



See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY & RELATED RATIOS
LAST 10 FISCAL YEARS ***

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the collective net pension liability	*	*	*	*	*	*	\$ 23,140,668	26,686,571	25,350,675	26,280,095
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	0.1497%	0.1494%	0.1525%	0.1580%
City's covered payroll	*	*	*	*	*	*	\$ 9,352,502	9,560,603	9,782,089	10,091,644
City's proportionate share of the net pension liability as a percentage of its covered payroll	*	*	*	*	*	*	247.43%	279.13%	259.15%	260.41%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	61.70%	57.47%	61.49%	62.54%

*Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015.
The amounts presented for each year were determined as of the measurement date of June 30 of the year presented.

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ***

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined employer contribution	*	*	*	*	*	*	\$ 1,470,323	1,507,347	1,550,838	1,588,950
Contributions in relation to the actuarially determined contributions	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>1,470,323</u>	<u>1,507,347</u>	<u>1,550,838</u>	<u>1,588,950</u>
Annual contribution deficiency (excess)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	*	*	*	*	*	*	\$9,335,386	9,570,458	9,846,592	10,088,570
Actual contributions as a percentage of covered payroll	*	*	*	*	*	*	15.75%	15.75%	15.75%	15.75%

*Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented for each fiscal year were determined as of the employer's fiscal year-end.

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SEPTEMBER 30, 2018**

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

The City's 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 to be in accordance with generally accepted accounting principles. 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).

Pension Schedules

NOTE A - VALUATION DATE

Actuarially determined contribution rates are calculated as of June 30, three months prior to the end of the fiscal year in which contributions are reported.

NOTE B - CHANGES IN BENEFIT PROVISIONS

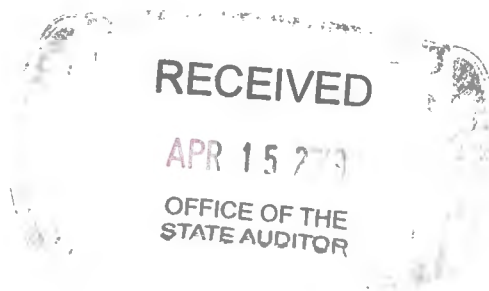
None.

NOTE C - CHANGES OF ASSUMPTIONS

None.

NOTE D - DATA AVAILABLE AND PRESENTED

The required supplementary pension schedules are presented to illustrate the requirement to show information for ten years, as required by GASB 68. GASB 68 was implemented during the fiscal year ended September 30, 2015, and only reflects data for years for which trend information is available.



SUPPLEMENTARY INFORMATION

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CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2018**

<u>Bond Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Gary L. Rhoads	Mayor	Merchants Bonding Co.	\$ 100,000
Josh Carlisle	City Clerk	Merchants Bonding Co.	100,000
Josh Carlisle	Comptroller	Merchants Bonding Co.	50,000
Josh Carlisle	Notary	Old Republic	5,000
Richard McMillian	Chief of Police	Merchants Bonding Co.	100,000
	Alderpersons (5)	Merchants Bonding Co.	100,000 each
Barbara Watkins	Accountant/ Deputy Clerk	Merchants Bonding Co.	50,000
Barbara Watkins	Notary	RLI	5,000
Jennifer Chapin	Court Clerk	Merchants Bonding Co.	50,000
Jennifer Chapin	Notary	RLI	5,000
Blanket Bond	All Employees	CNA	50,000 each
Unemployment Bond	All Employees	CNA	58,000 total

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

To the Honorable Mayor and Board of Alderpersons
City of Flowood
Flowood, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Flowood, Mississippi's basic financial statements, and have issued our report thereon dated March 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Flowood Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Flowood, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Flowood, Mississippi's internal control.

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

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

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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*.

Purpose of this Report

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

Haddock Reid Erbank Betts PLLC

Jackson, Mississippi
March 25, 2019

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CITY OF FLOWOOD, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2018

(1) SUMMARY OF AUDIT RESULTS

Financial Statements:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Flowood, Mississippi were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the City of Flowood, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

(2) FINDINGS - FINANCIAL STATEMENT AUDIT

None.

CITY OF FLOWOOD, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2018

None.

STATE COMPLIANCE SECTION

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

To the Honorable Mayor and Board of Alderpersons
City of 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, 2018, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated March 25, 2019. 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.

As required by the state legal compliance audit program prescribed by the Mississippi 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 financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the City of Flowood, Mississippi's management, Mayor and Board of Alderpersons, and the Mississippi 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.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
March 25, 2019

