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April 8, 2016

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, 2015

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, 2015. A separate management letter was not written to the City of Flowood in connection with this audit.

Sincerely,

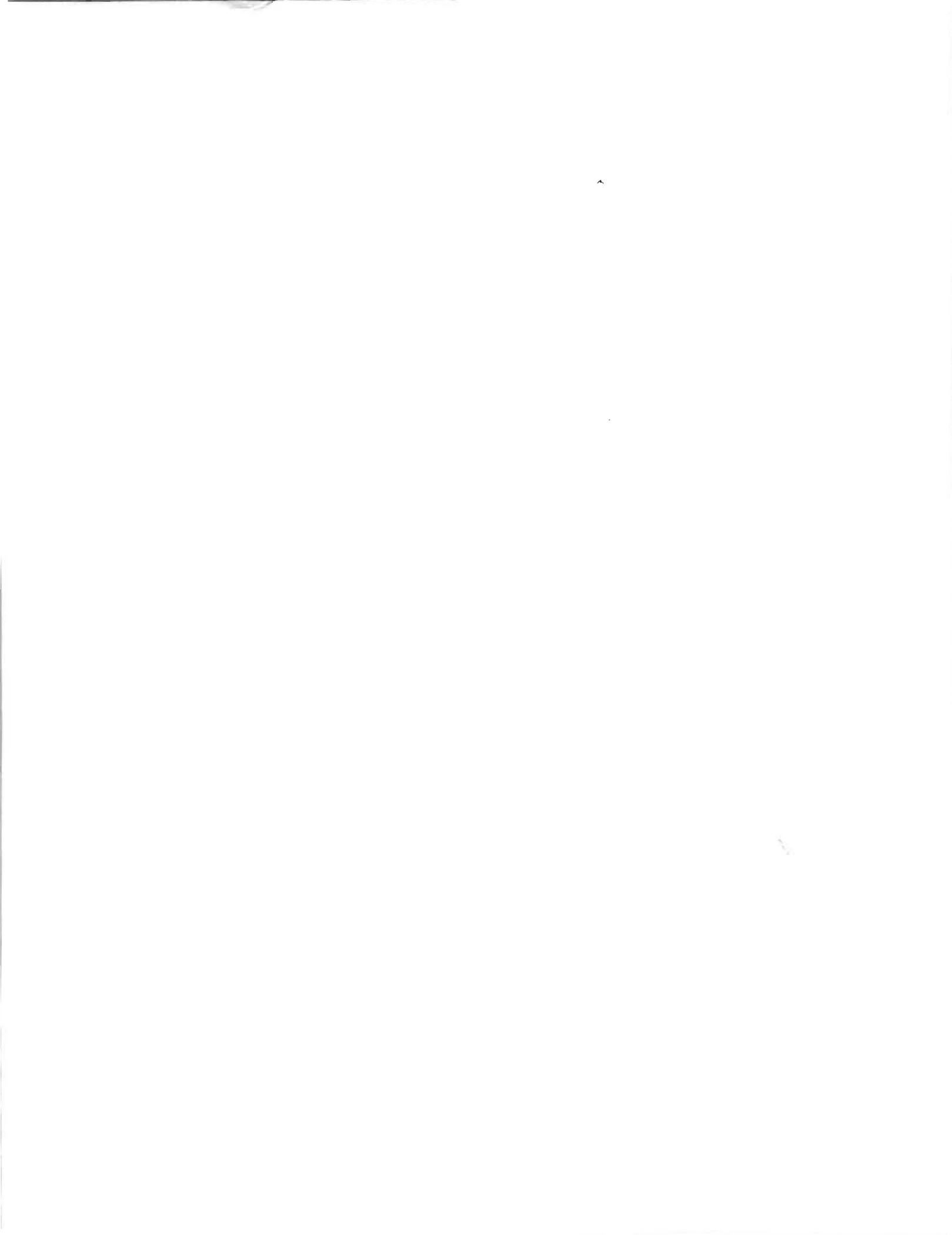
A handwritten signature in blue ink that reads "Gary Rhoads".

Gary Rhoads, Mayor

/jc
enclosures

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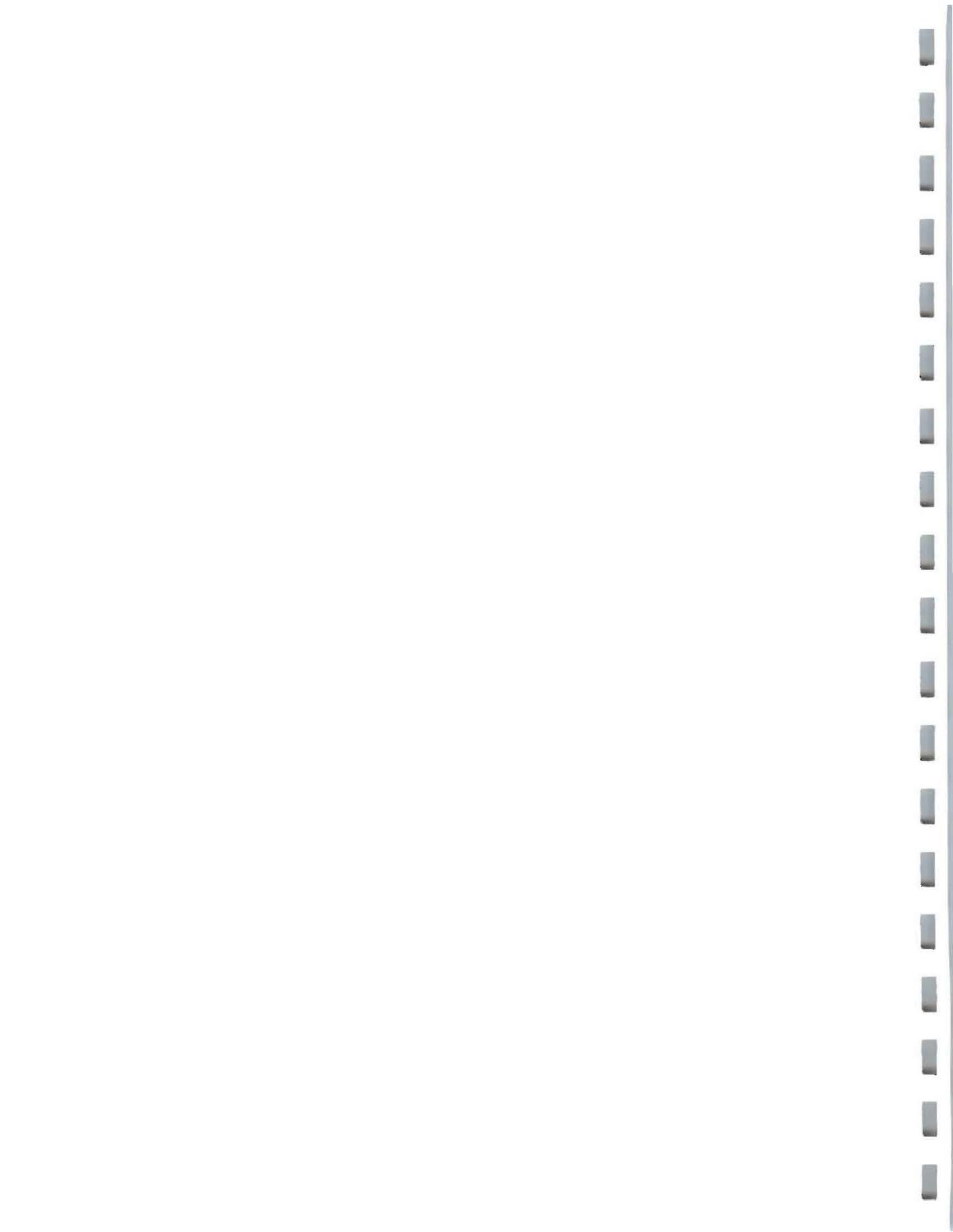


CITY OF FLOWOOD, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2015

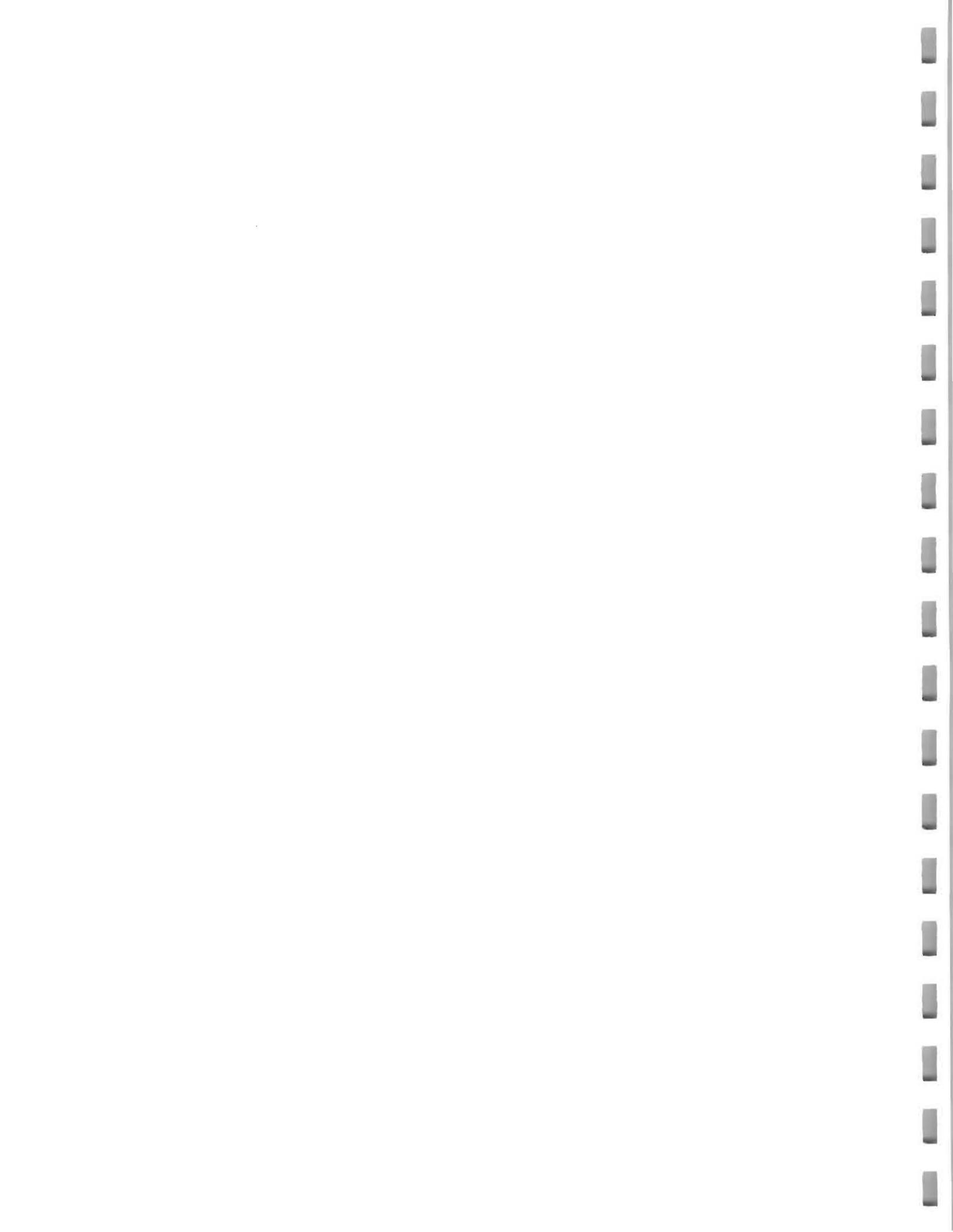
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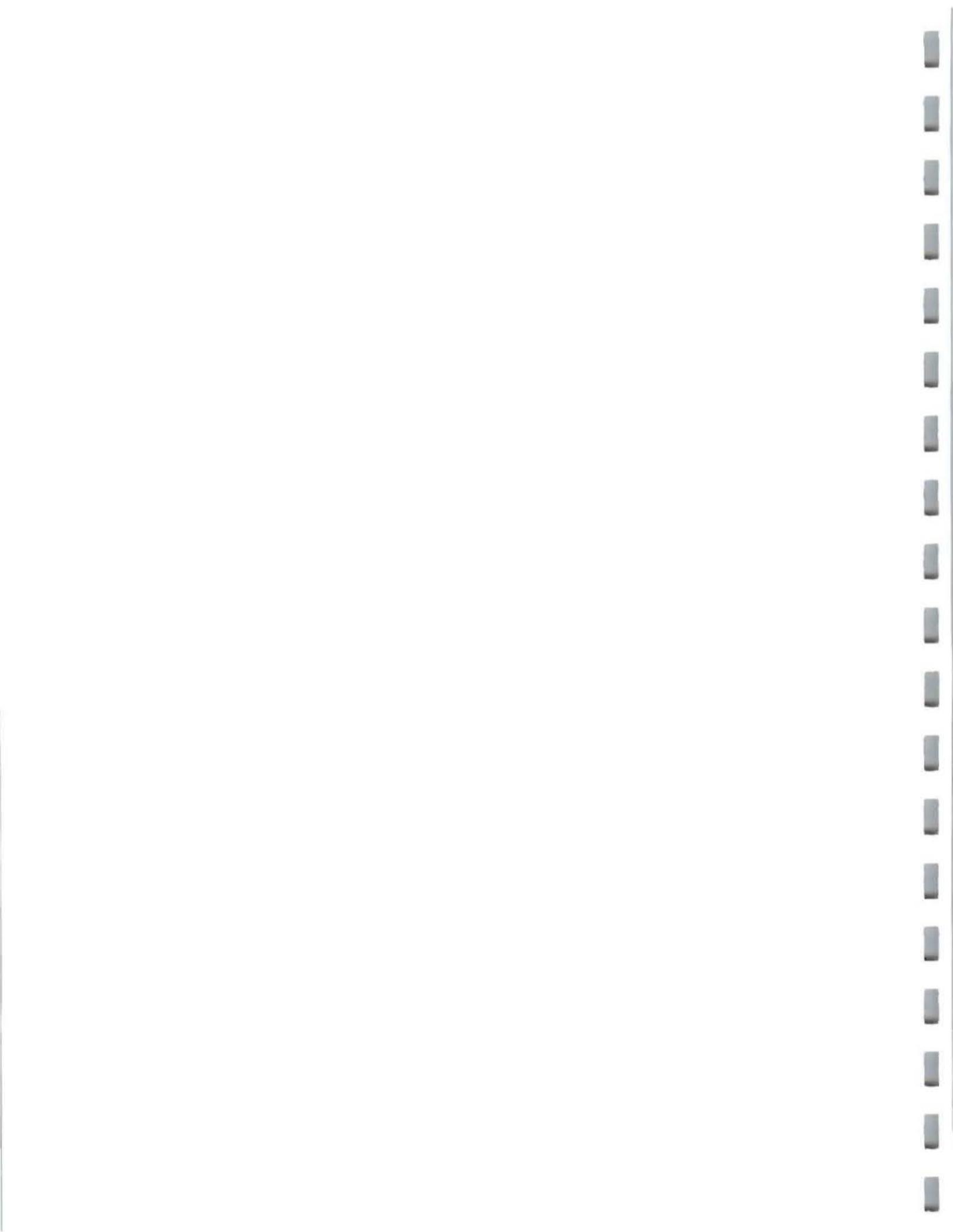
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Auditor's Responsibility - continued:

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2015 the City of Flowood, Mississippi adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

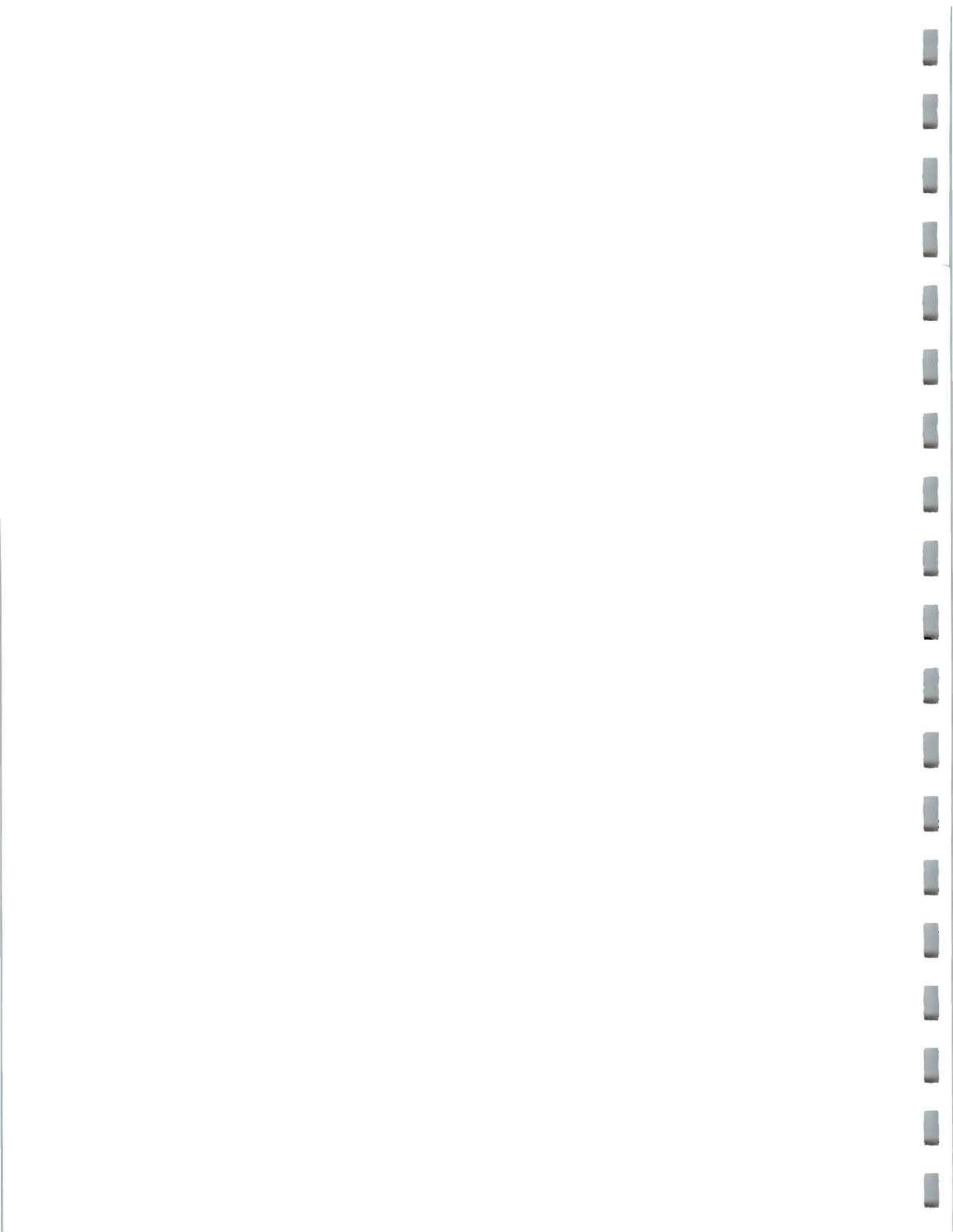
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, budgetary comparison information on pages 60-65, schedule of changes in net pension liability & related ratios on page 66, and the schedule of employer contributions on page 67 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 schedule included in the supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.



Other Matters - continued:

Other Information - continued:

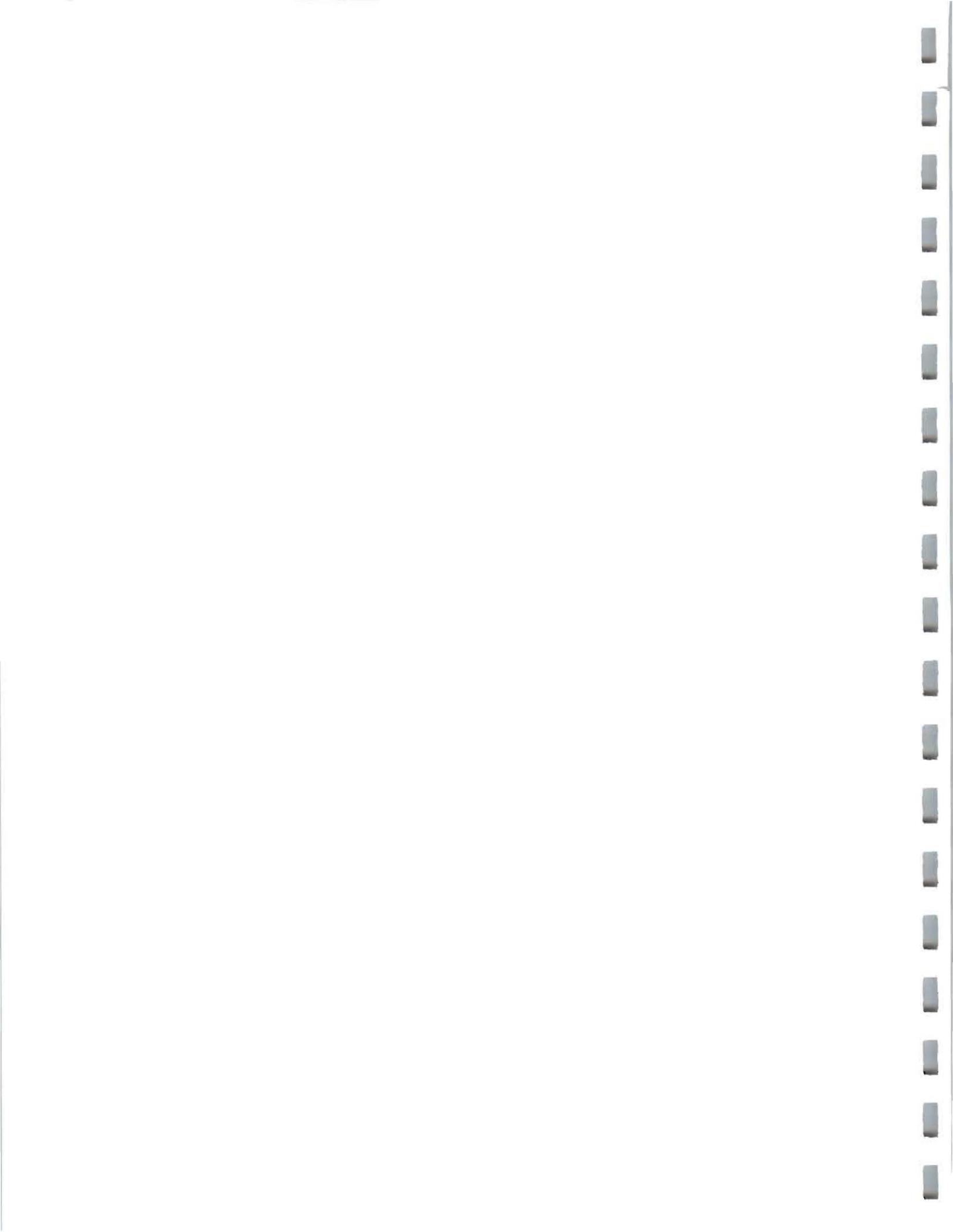
The schedule included in the supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the City of Flowood, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Flowood, Mississippi's internal control over financial reporting and compliance.

Haddon Reid Embank Betts PLLC

Jackson, Mississippi
March 29, 2016



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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

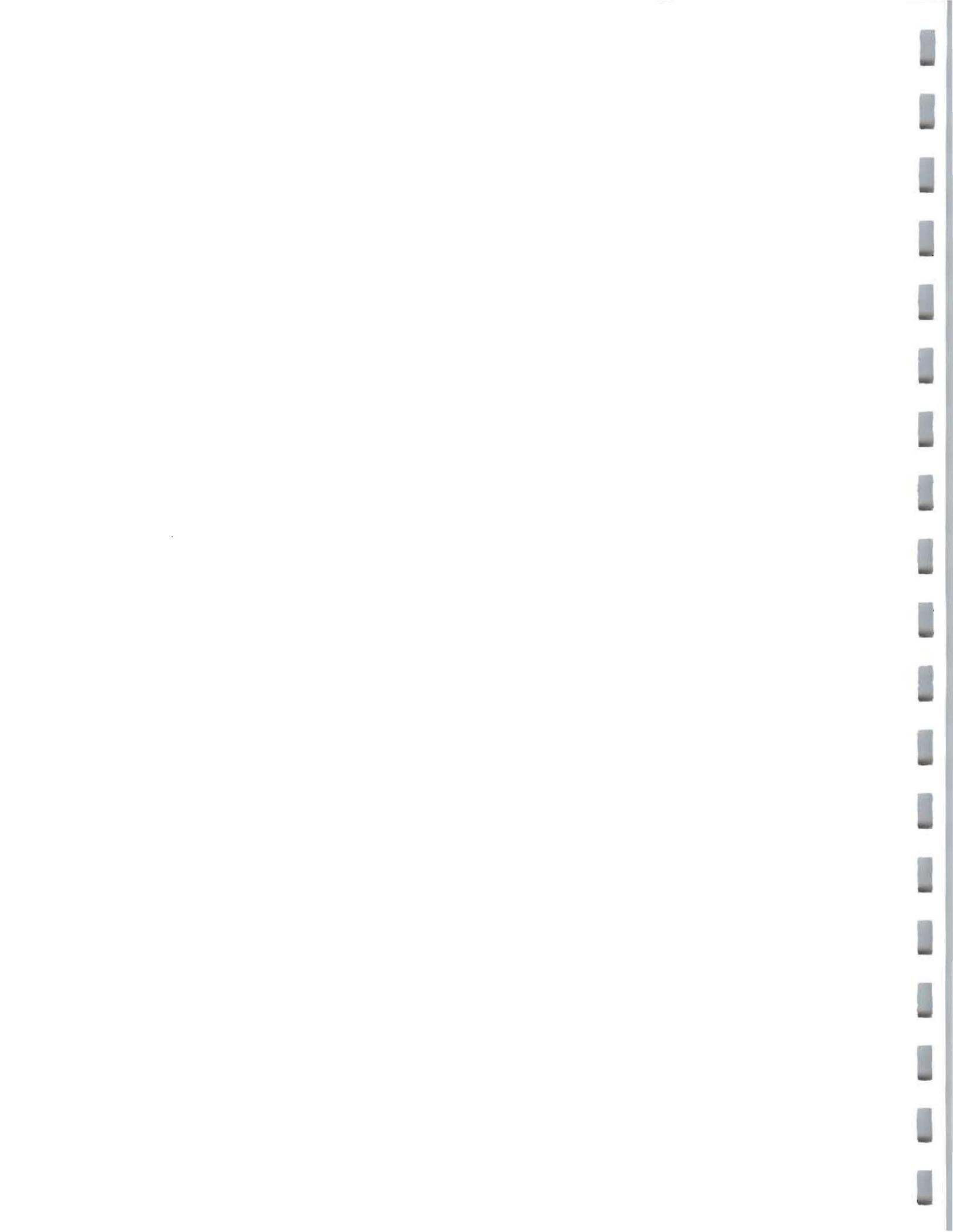
Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015. 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 \$2,957,213 as a result of this year's operations (\$2,467,896 decrease in 2014). The majority of the increase (\$2,106,337) was realized by the City's Water and Sewer Enterprise Fund.
- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, during the current fiscal year. The implementation resulted in the following items reported in the financial statements:
 - A prior period adjustment resulting in a decrease to beginning net position as previously reported in the amount of \$18,532,005.
 - A net pension liability in the amount of \$23,140,668 at September 30, 2015.
 - An increase in the current year pension expense as determined prior to the implementation of GASB 68 in the amount of \$1,470,323 to \$2,621,850 as determined in accordance with GASB 68.
- The City's General Fund realized a 7.9% increase in total revenue compared to the prior year (\$19,104,365 in 2015 compared to \$17,708,088 in 2014). Total expenditures reflected a 6.8% decrease (\$15,196,166 in 2015 compared to \$16,312,403 in 2014).

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, 2015**

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 2015?" 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 2015 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.

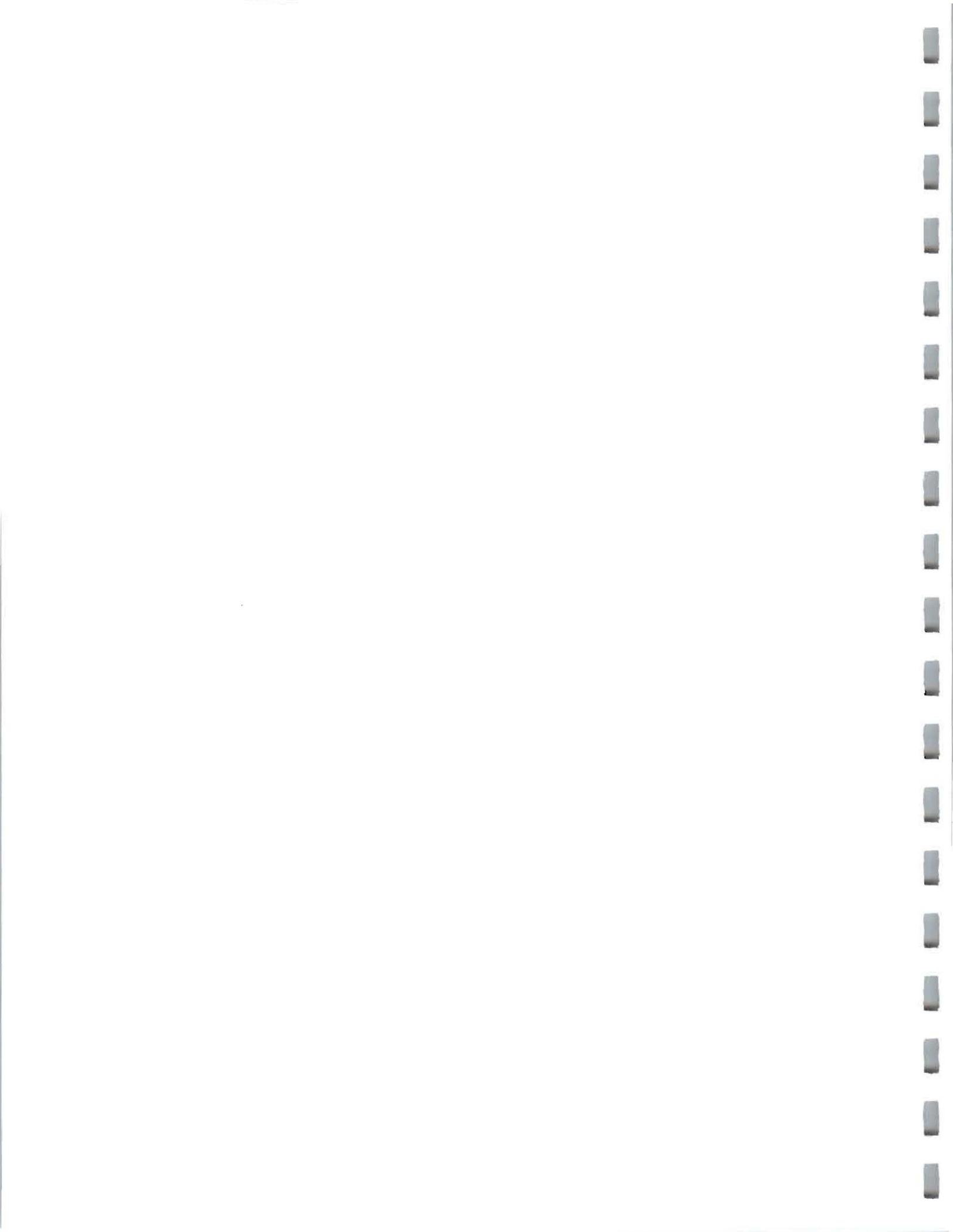
Reporting the City's Most Significant Funds

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 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.

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CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

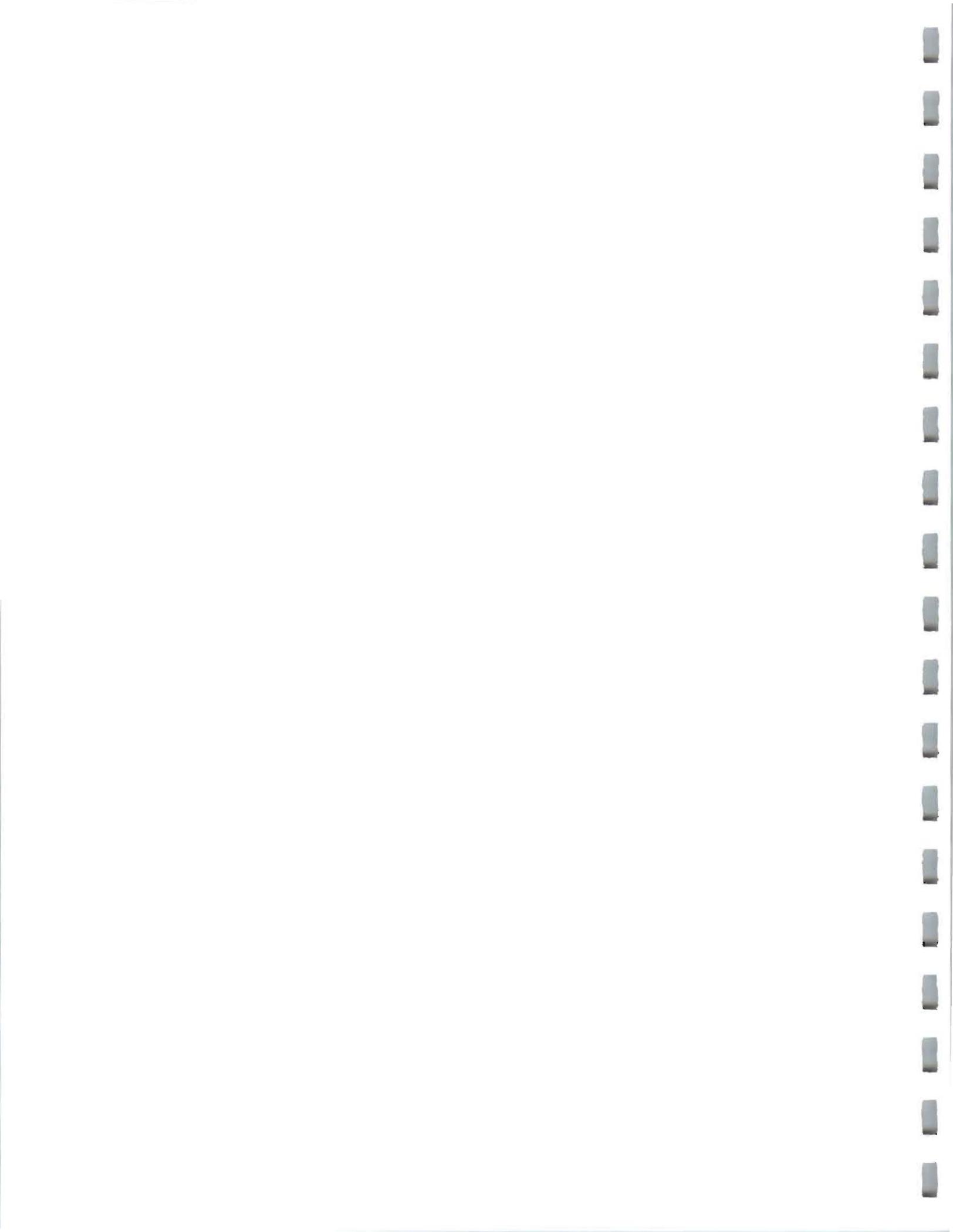
REPORTING THE CITY AS A WHOLE - CONTINUED:

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 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.



CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

REPORTING THE CITY AS A WHOLE - CONTINUED:

The City as Trustee

Reporting the City's Fiduciary Responsibilities

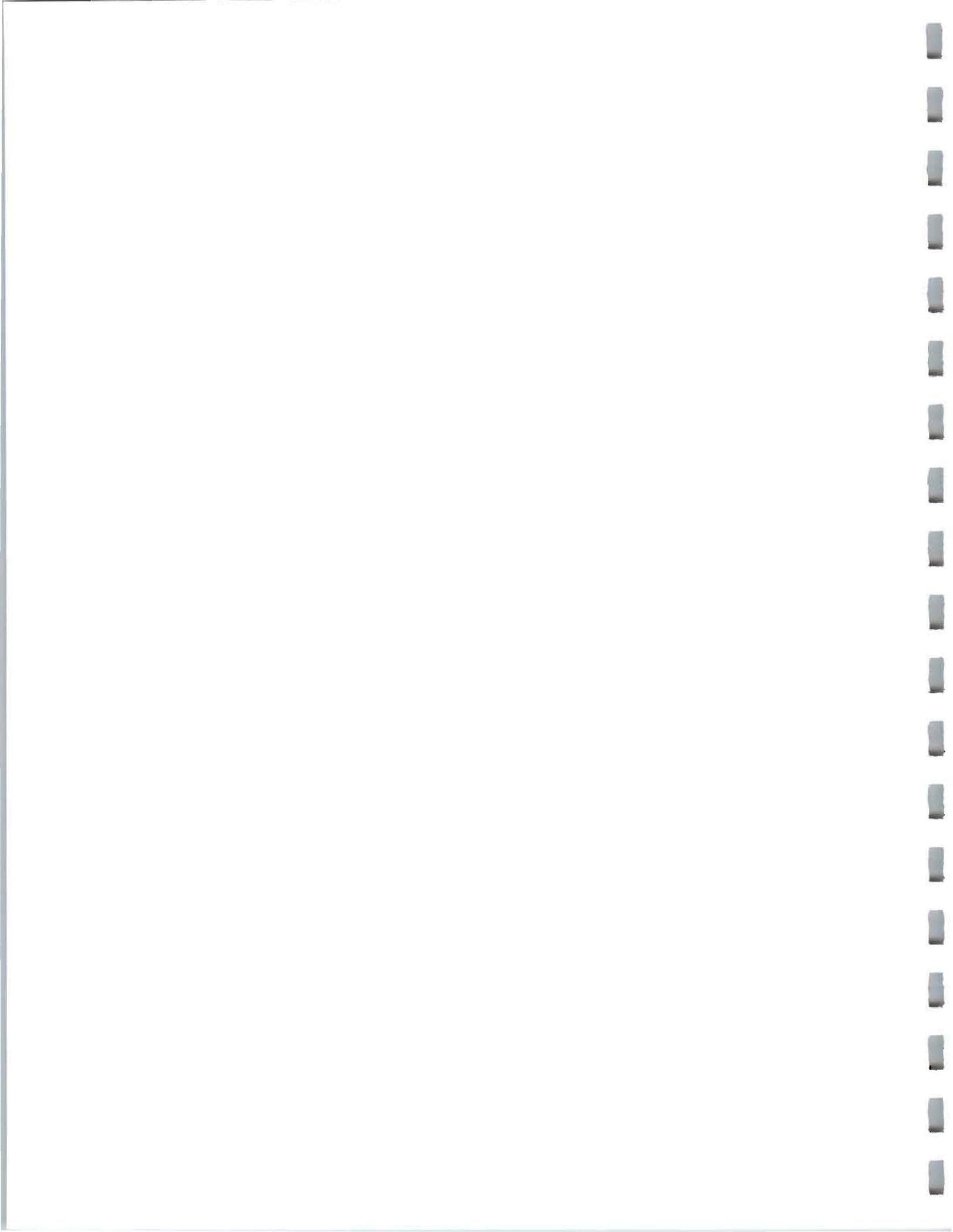
The City acts as the trustee, or fiduciary, for the activity of the Airport Parkway Commission and the East Metro Corridor Commission. The activity of the Airport Parkway Commission and the East Metro Corridor Commission is reported in the Statement of Fiduciary Net Position. The activities of these 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 \$111,705,538 and \$127,280,330 as of September 30, 2015 and 2014, respectively. **Table 1** provides a summary of the City's net position. GASB Statement No. 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB Statement No. 68.

**(Table 1)
Condensed Statement of Net Position
At September 30, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 30,792,719	5,598,143	36,390,862	29,577,775	4,366,578	33,944,353
Capital assets, net	120,456,359	42,810,196	163,266,555	122,633,713	42,563,227	165,196,940
Total assets	<u>151,249,078</u>	<u>48,408,339</u>	<u>199,657,417</u>	<u>152,211,488</u>	<u>46,929,805</u>	<u>199,141,293</u>
Deferred outflows of resources:						
Deferred charge on refunding	795,531	160,149	955,680	-	195,353	195,353
Deferred outflows-pension	3,545,373	525,041	4,070,414	-	-	-
Total deferred outflows of resources	<u>4,340,904</u>	<u>685,190</u>	<u>5,026,094</u>	<u>-</u>	<u>195,353</u>	<u>195,353</u>
Liabilities:						
Current liabilities	4,733,779	2,307,085	7,040,864	4,689,856	2,534,746	7,224,602
Noncurrent liabilities	60,429,059	20,072,986	80,502,045	41,889,900	18,230,293	60,120,193
Total liabilities	<u>65,162,838</u>	<u>22,380,071</u>	<u>87,542,909</u>	<u>46,579,756</u>	<u>20,765,039</u>	<u>67,344,795</u>



CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

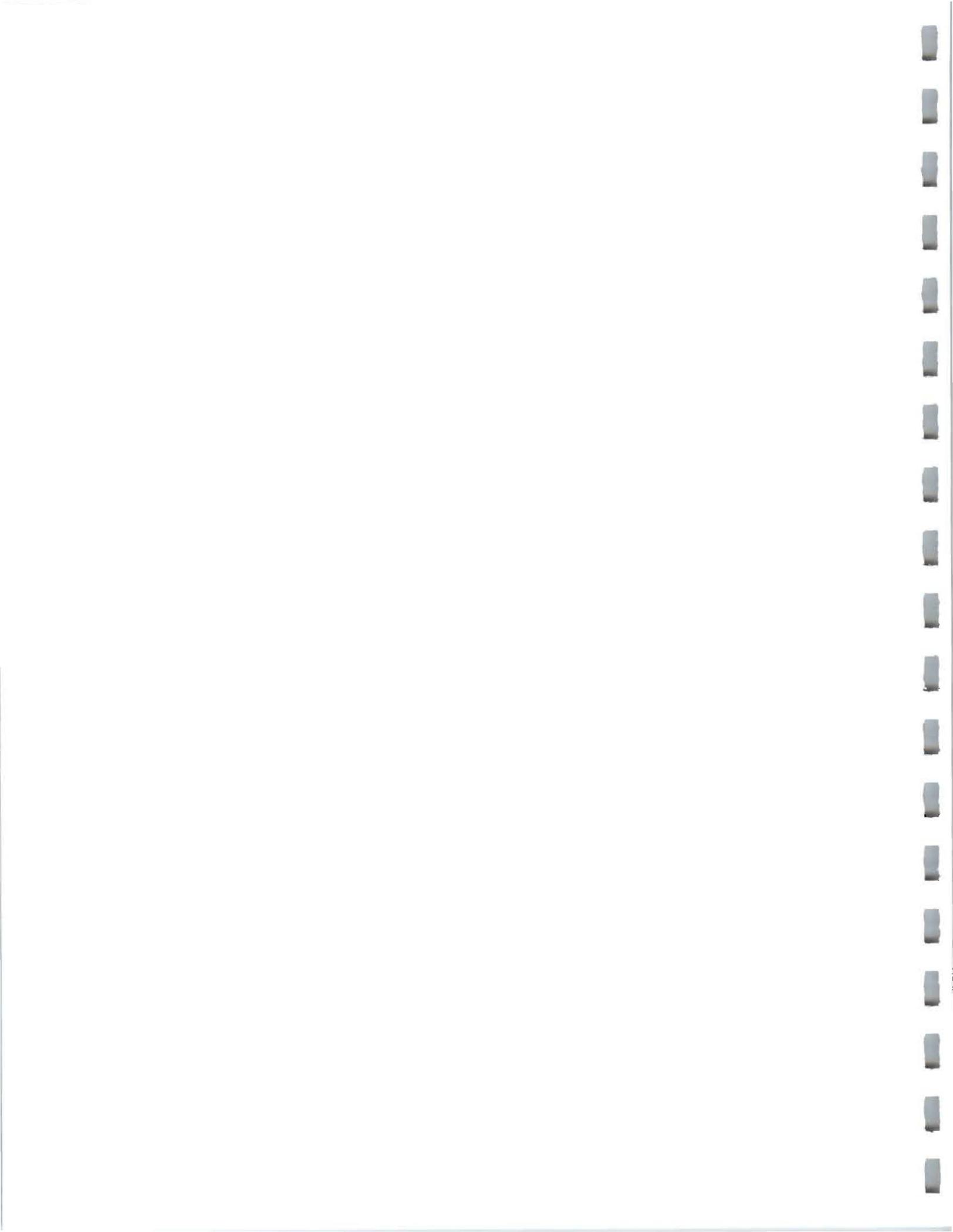
	2015			2014		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Deferred inflows of resources						
Unavailable property taxes	\$ 4,813,798	-	4,813,798	4,711,521	-	4,711,521
Deferred inflows-pension	541,129	80,137	621,266	-	-	-
Total deferred inflows of resources	<u>5,354,927</u>	<u>80,137</u>	<u>5,435,064</u>	<u>4,711,521</u>	<u>-</u>	<u>4,711,521</u>
Net assets:						
Net investment in capital assets	77,607,351	26,824,554	104,431,905	78,524,964	25,641,856	104,166,820
Restricted:						
Public safety	533,833	-	533,833	368,165	-	368,165
Capital projects	-	-	-	312	-	312
Debt service	11,823,701	584,550	12,408,251	12,280,539	682,585	12,963,124
Recreation and tourism	2,199,021	-	2,199,021	2,655,090	-	2,655,090
Unrestricted	<u>(7,091,689)</u>	<u>(775,783)</u>	<u>(7,867,472)</u>	<u>7,091,141</u>	<u>35,678</u>	<u>7,126,819</u>
Total net position	<u>\$ 85,072,217</u>	<u>26,633,321</u>	<u>111,705,538</u>	<u>100,920,211</u>	<u>26,360,119</u>	<u>127,280,330</u>

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

Total unrestricted net position (deficit)	\$ (7,867,472)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71.	<u>19,691,520</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 11,824,048</u>

The largest portion of the City's net position (93.5%) 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.

The Changes in Net Position for the years ended September 30, 2015 and 2014 are summarized in **Table 2**. GASB Statement No. 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB Statement No. 68.



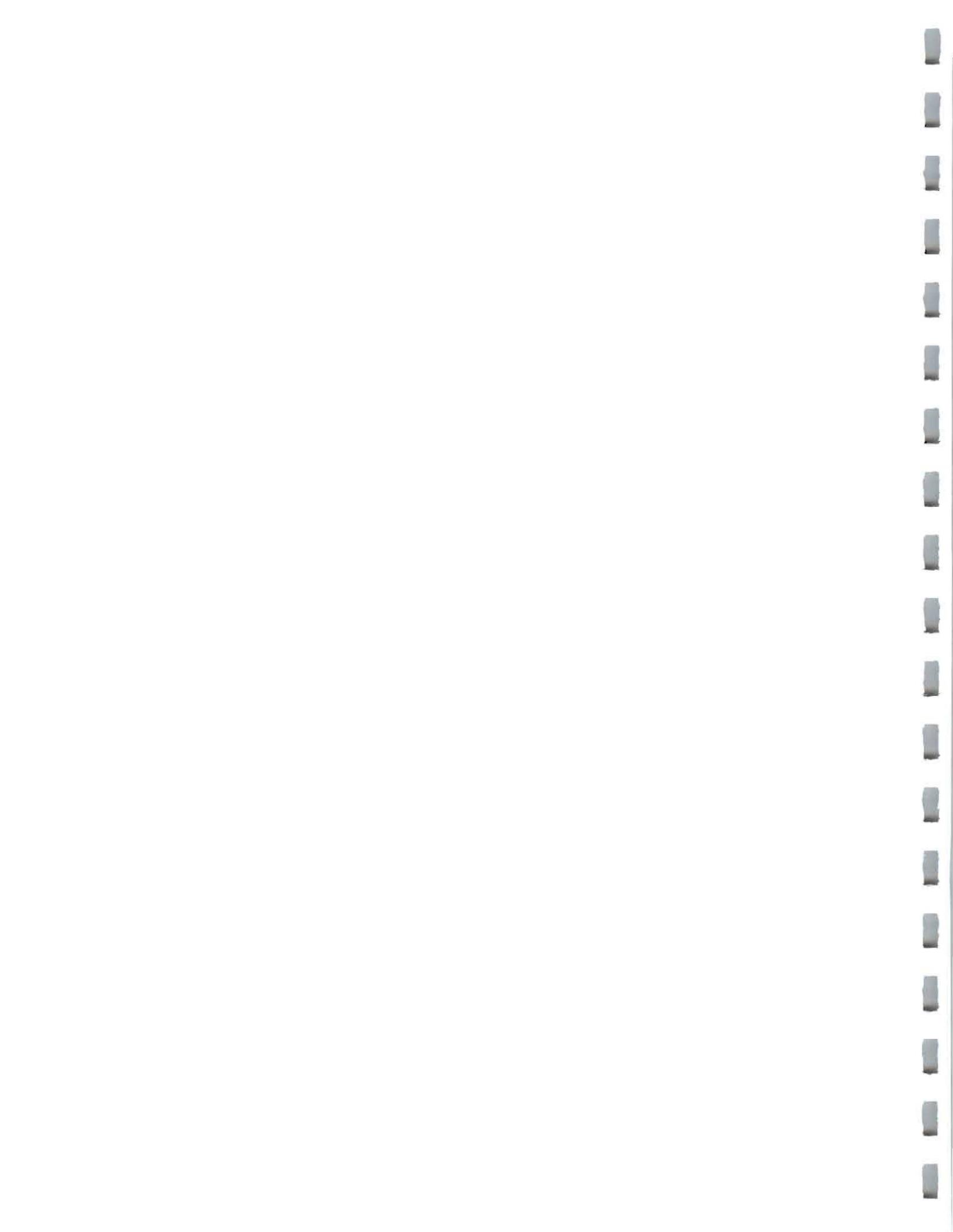
CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

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

	2015			2014		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
REVENUES:						
Program Revenues:						
Charges for services	\$ 2,129,263	10,433,820	12,563,083	1,525,052	9,362,513	10,887,565
Capital grants and contributions	65,441	342,667	408,108	87,770	-	87,770
Operating grants and contributions	1,110,247	-	1,110,247	1,041,573	-	1,041,573
Property taxes	5,394,767	-	5,394,767	5,158,178	-	5,158,178
General Revenues:						
Sales taxes	11,221,524	-	11,221,524	10,715,091	-	10,715,091
Other	4,499,548	5,402	4,504,950	3,798,816	7,101	3,805,917
Total revenues	<u>24,420,790</u>	<u>10,781,889</u>	<u>35,202,679</u>	<u>22,326,480</u>	<u>9,369,614</u>	<u>31,696,094</u>
EXPENSES:						
General government	1,418,904	-	1,418,904	1,625,227	-	1,625,227
Legal	335,319	-	335,319	321,054	-	321,054
Public safety	10,339,885	-	10,339,885	9,983,282	-	9,983,282
Court	701,087	-	701,087	683,448	-	683,448
Public property maintenance	732,332	-	732,332	788,388	-	788,388
Sanitation	254,650	-	254,650	246,979	-	246,979
Health	45,634	-	45,634	59,884	-	59,884
Street maintenance	4,939,012	-	4,939,012	4,115,167	-	4,115,167
Recreation	1,509,517	-	1,509,517	1,517,842	-	1,517,842
Shop and maintenance	570,362	-	570,362	602,337	-	602,337
Landscape	485,332	-	485,332	484,025	-	484,025
Engineering	113,642	-	113,642	186,758	-	186,758
Pay to other agency	58,955	-	58,955	174,753	-	174,753
Interest and fiscal charges	1,726,937	-	1,726,937	1,980,031	-	1,980,031
Golf course	-	977,858	977,858	-	1,007,448	1,007,448
R/C park	-	65,138	65,138	-	57,834	57,834
Water and sewer	-	7,966,215	7,966,215	-	7,204,344	7,204,344
Total expenses	<u>23,231,568</u>	<u>9,009,211</u>	<u>32,240,779</u>	<u>22,769,175</u>	<u>8,269,626</u>	<u>31,038,801</u>



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

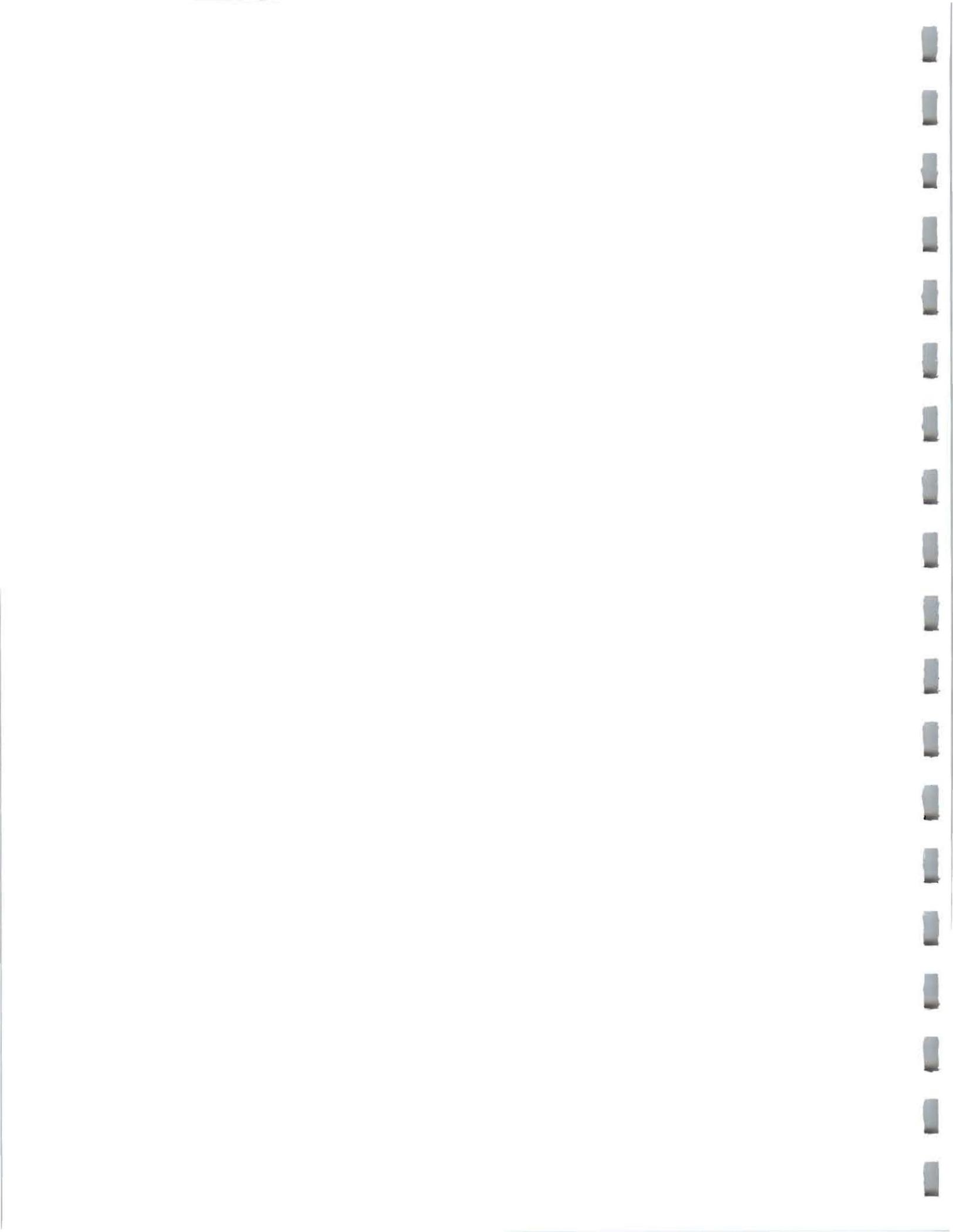
FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

	2015			2014		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
CHANGE IN NET POSITION BEFORE SPECIAL ITEMS, TRANSFERS AND GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS	\$ 1,189,222	1,772,678	2,961,900	(442,695)	1,099,988	657,293
SPECIAL ITEM:						
Land contributed to Mississippi Transportation Commission	-	-	-	(3,125,189)	-	(3,125,189)
GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS	(4,687)	-	(4,687)	-	-	-
TRANSFERS	(594,000)	594,000	-	(500,000)	500,000	-
CHANGE IN NET POSITION	<u>590,535</u>	<u>2,366,678</u>	<u>2,957,213</u>	<u>(4,067,884)</u>	<u>1,599,988</u>	<u>(2,467,896)</u>
NET POSITION, BEGINNING OF YEAR, as previously reported	100,920,211	26,360,119	127,280,330	104,988,095	24,760,131	129,748,226
PRIOR PERIOD ADJUSTMENT	(16,438,529)	(2,093,476)	(18,532,005)	-	-	-
NET POSITION, BEGINNING OF YEAR, as restated	<u>84,481,682</u>	<u>24,266,643</u>	<u>108,748,325</u>	<u>104,988,095</u>	<u>24,760,131</u>	<u>129,748,226</u>
NET POSITION, END OF YEAR	\$ <u>85,072,217</u>	<u>26,633,321</u>	<u>111,705,538</u>	<u>100,920,211</u>	<u>26,360,119</u>	<u>127,280,330</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 \$11,221,524 or 46.0% of gross revenue; revenues from charges for services accounted for \$2,129,263 or 8.7% of gross revenues; and property taxes accounted for \$5,394,767 or 22.1% of revenues. Operating grants and contributions amounted to \$1,110,247 or 4.5% of gross revenue.

The City of Flowood has been able to increase its sales tax collections in the last nine years by \$2,455,728 from gross collections in 2006 of \$8,765,796 to gross collections in 2015 of \$11,221,524. 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.



CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities - continued:

Major expense activities include police and fire safety expenses accounting for 44.5% of the total program expenses, and street and public property maintenance accounting for 24.4%. The City of Flowood is committed to providing the best services possible for its citizens.

The City of Flowood has worked very hard to increase our property tax base and our sales tax collections by being proactive with new businesses in our City and 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.

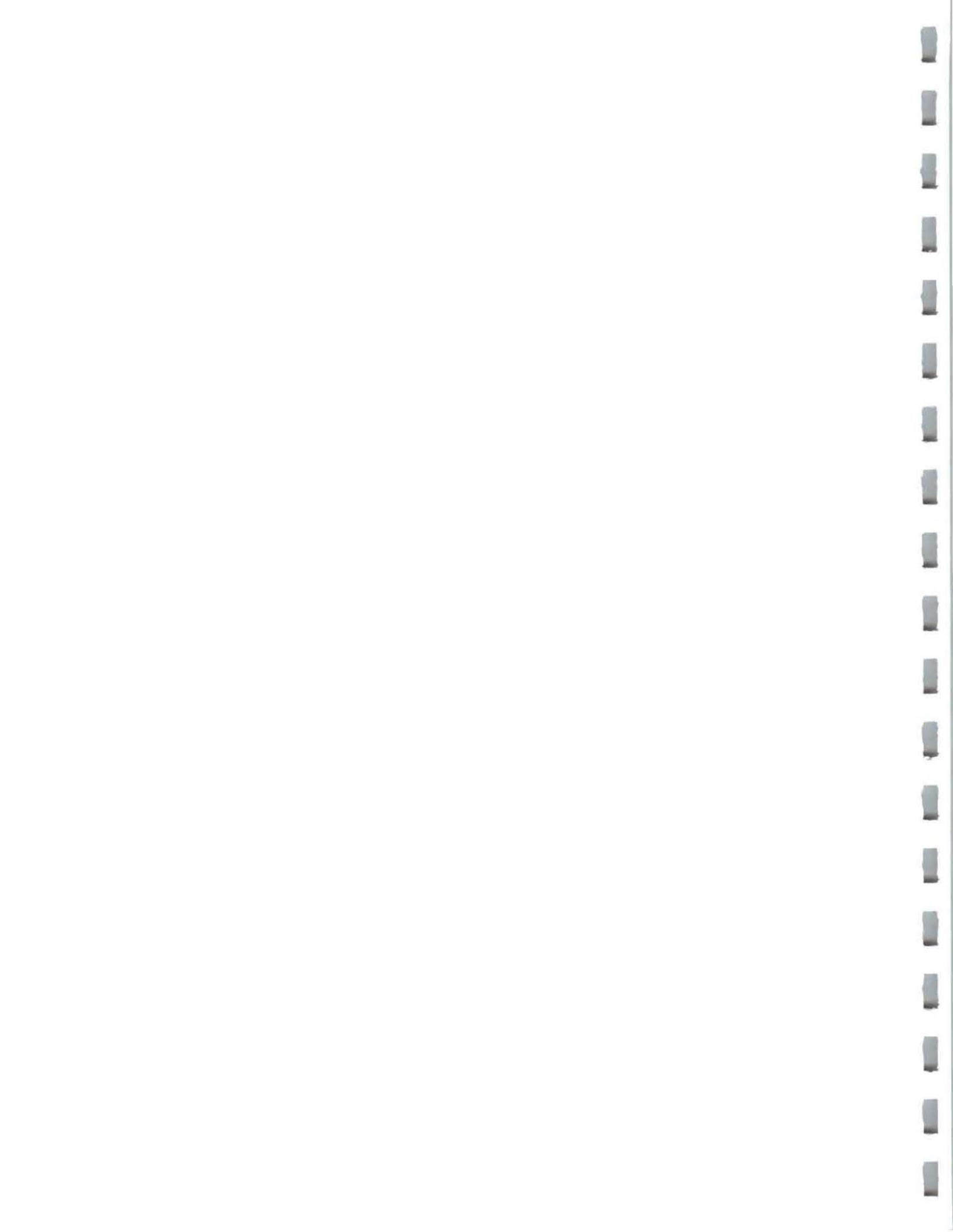
Business-Type Activities

Operating revenues of the City's business-type activities were \$10,433,820 and \$9,362,513 for the fiscal years ended September 30, 2015 and 2014, respectively. Operating expenses for the City's business-type activities were \$8,321,873 for 2015 and \$7,576,950 for 2014, resulting in operating income of \$2,111,947 in 2015 and \$1,785,563 in 2014. Net non-operating expenses of \$87,936 and capital contributions of \$342,667 for 2015 resulted in an increase in net position of \$2,366,678. Key operating results are detailed below:

- The City's Water and Sewer Enterprise Fund recorded charges for services of \$9,730,462 which reflects a 13.1% increase from the prior year. The most significant expenses of the Water and Sewer Enterprise Fund were \$2,193,280 for salaries and benefits, \$2,964,456 for operating cost including sewage treatment and \$1,771,364 in depreciation expense.
- The Golf Course Enterprise Fund's revenue decreased from \$709,750 in 2014 to \$655,782 in 2015 which reflects a decrease of 7.6%, while operating expenses, excluding depreciation, decreased 2.6% to \$809,403 in 2015 compared with \$831,389 in 2014.
- The R/C Park Enterprise Fund's revenue decreased from \$48,119 in 2014 to \$47,576 in 2015 which reflects a decrease of 1.1% while operating expenses, excluding depreciation, increased from \$56,244 in 2014 to \$63,549 in 2015, an increase of 13.0%.

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 2015, 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.



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

BUDGETARY HIGHLIGHTS - CONTINUED:

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 2015 were \$18,563,500 and actual revenue collections were \$19,065,598. General Fund operating expenditures were \$14,987,980 compared to budgeted amounts of \$16,211,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, 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, 2015 and 2014
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 35,897,066	35,885,103	766,808	738,136	36,663,874	36,623,239
Improvements other than buildings	14,620,296	14,241,295	-	-	14,620,296	14,241,295
Buildings	13,495,111	13,693,950	-	-	13,495,111	13,693,950
Machinery and equipment	3,443,791	3,243,663	124,389	159,529	3,568,180	3,403,192
Infrastructure	52,707,684	55,253,823	-	-	52,707,684	55,253,823
Construction in progress	292,411	315,879	407,339	1,445,672	699,750	1,761,551
Water and sewer system	-	-	40,909,430	39,640,770	40,909,430	39,640,770
Golf course	-	-	558,906	534,207	558,906	534,207
R/C park	-	-	43,324	44,913	43,324	44,913
Total	\$ <u>120,456,359</u>	<u>122,633,713</u>	<u>42,810,196</u>	<u>42,563,227</u>	<u>163,266,555</u>	<u>165,196,940</u>



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

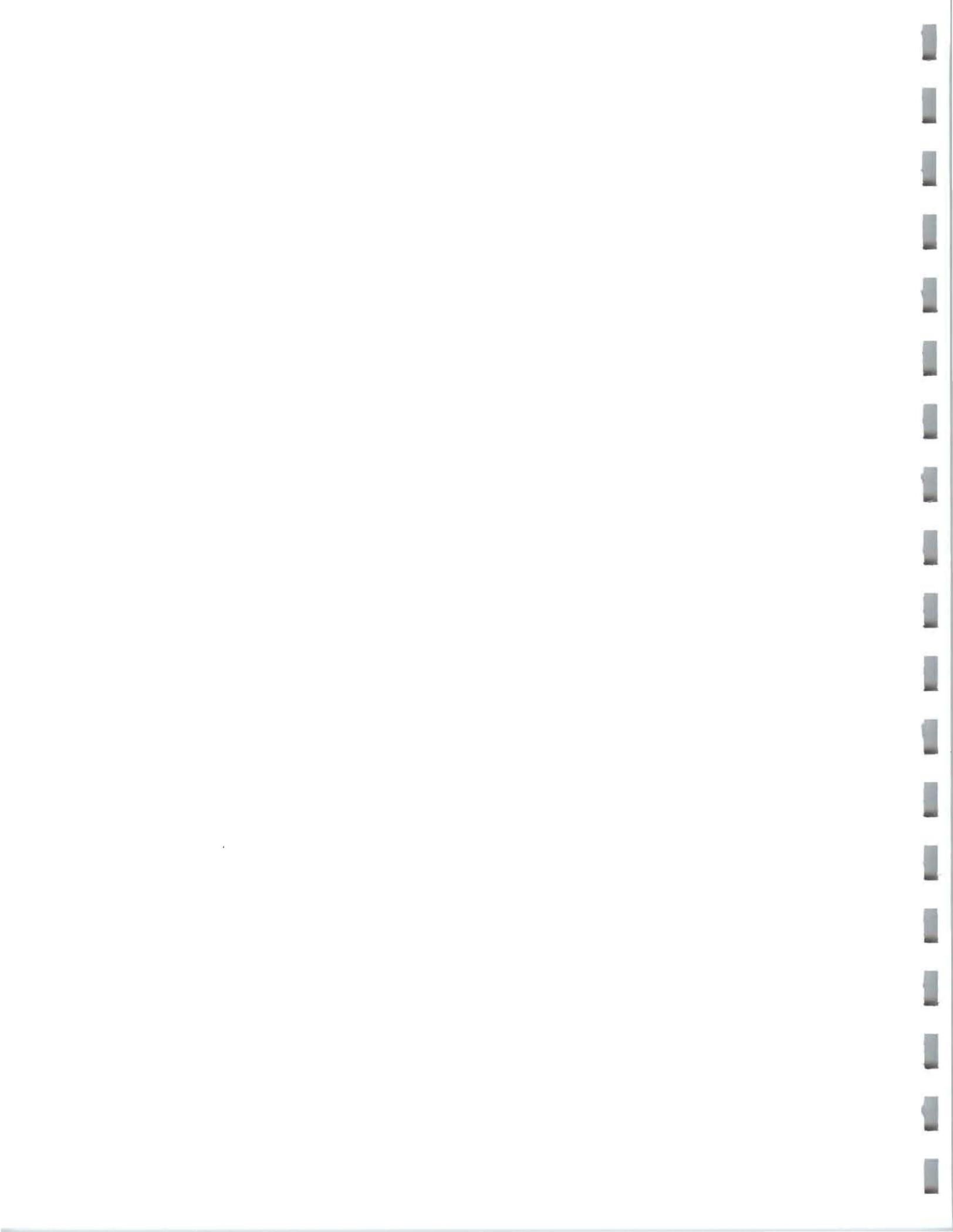
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

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. Also, several new industries have recently located on the southern end of the City, which include the U.S. Foods distribution center and Puckett Machinery.

With the addition of all these shopping centers, the City of Flowood must maintain and create better access routes into and out of the City 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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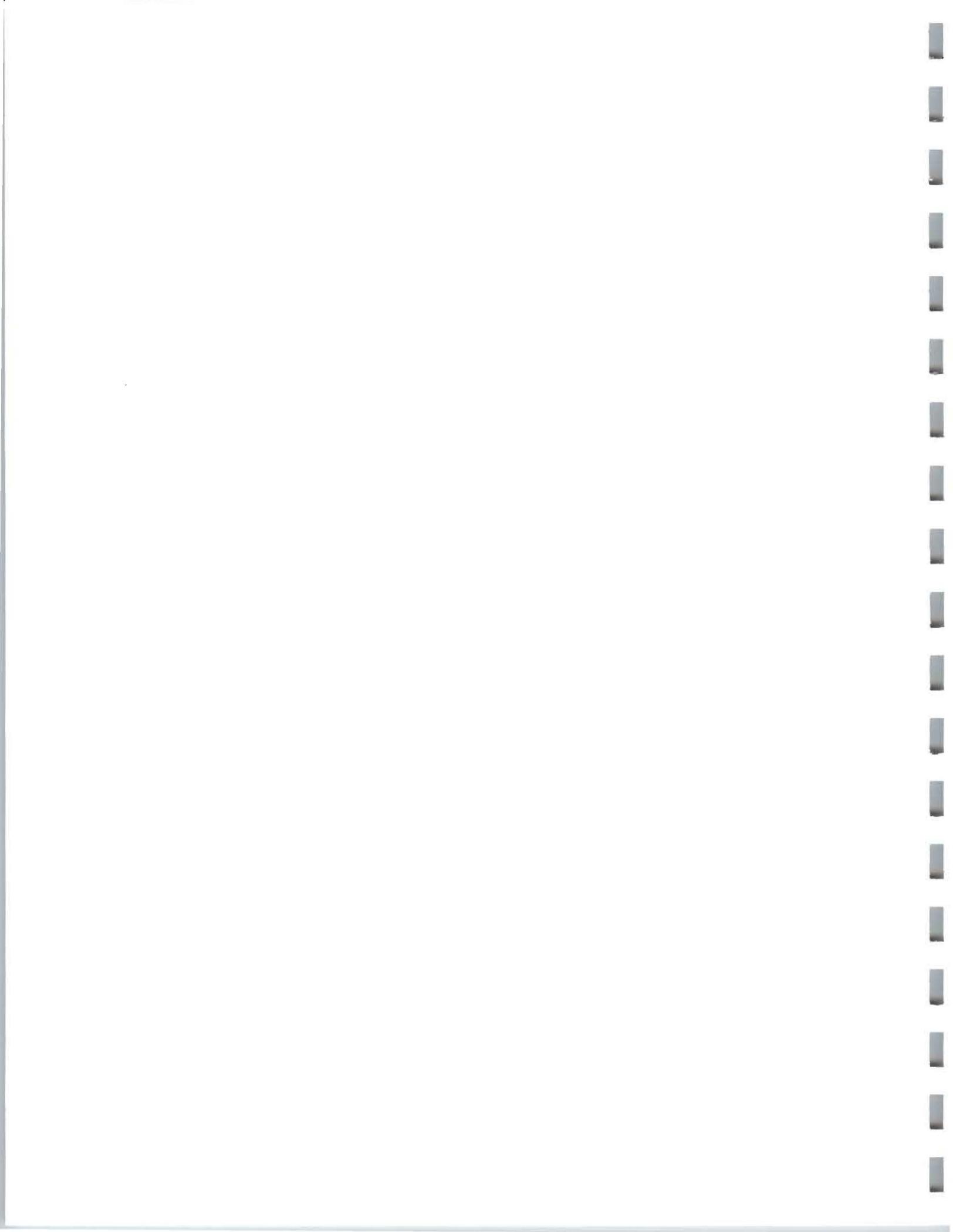
CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2015**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,690,261	3,361,404	12,051,665
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	961,978	949,044	1,911,022
Grants	17,460	319,303	336,763
Taxes	6,145,820	-	6,145,820
Special assessments	3,495,017	-	3,495,017
Other governments	6,043,435	-	6,043,435
Internal balances	158,433	(158,433)	-
Prepays	69,730	88,856	158,586
Restricted assets:			
Cash and cash equivalents	5,210,585	1,037,969	6,248,554
Capital assets:			
Non-depreciable capital assets	36,189,477	1,174,147	37,363,624
Depreciable capital assets, net	<u>84,266,882</u>	<u>41,636,049</u>	<u>125,902,931</u>
Total assets	<u>151,249,078</u>	<u>48,408,339</u>	<u>199,657,417</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charges on refunding	795,531	160,149	955,680
Deferred outflows related to pension	<u>3,545,373</u>	<u>525,041</u>	<u>4,070,414</u>
Total deferred outflows of resources	\$ <u>4,340,904</u>	<u>685,190</u>	<u>5,026,094</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	\$ 484,451	407,416	891,867
Accrued liabilities	164,821	21,820	186,641
Accrued interest payable	501,200	223,997	725,197
Claims payable	140,191	-	140,191
Customer deposits	-	453,419	453,419
Funds held for others	30,000	-	30,000
Amount due to developer	11,967	-	11,967
Payable to other governments	244,048	-	244,048
Unearned revenue	184,930	-	184,930
Noncurrent liabilities:			
Due within one year:			
Compensated absences	46,932	4,527	51,459
Loans and leases payable	978,940	458,898	1,437,838
Bonds payable	1,946,299	737,008	2,683,307
Due in more than one year:			
Compensated absences	349,525	42,253	391,778
Loans and leases payable	11,559,563	9,345,151	20,904,714
Bonds payable	28,364,206	7,700,679	36,064,885
Net pension liability	20,155,765	2,984,903	23,140,668
Total liabilities	<u>65,162,838</u>	<u>22,380,071</u>	<u>87,542,909</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	4,813,798	-	4,813,798
Deferred inflows related to pension	541,129	80,137	621,266
Total deferred inflows of resources	<u>5,354,927</u>	<u>80,137</u>	<u>5,435,064</u>
<u>NET POSITION</u>			
Net investment in capital assets	77,607,351	26,824,554	104,431,905
Restricted for:			
Public safety	533,833	-	533,833
Debt service	11,823,701	584,550	12,408,251
Recreation and tourism	2,199,021	-	2,199,021
Unrestricted	<u>(7,091,689)</u>	<u>(775,783)</u>	<u>(7,867,472)</u>
Total net position	<u>\$ 85,072,217</u>	<u>26,633,321</u>	<u>111,705,538</u>



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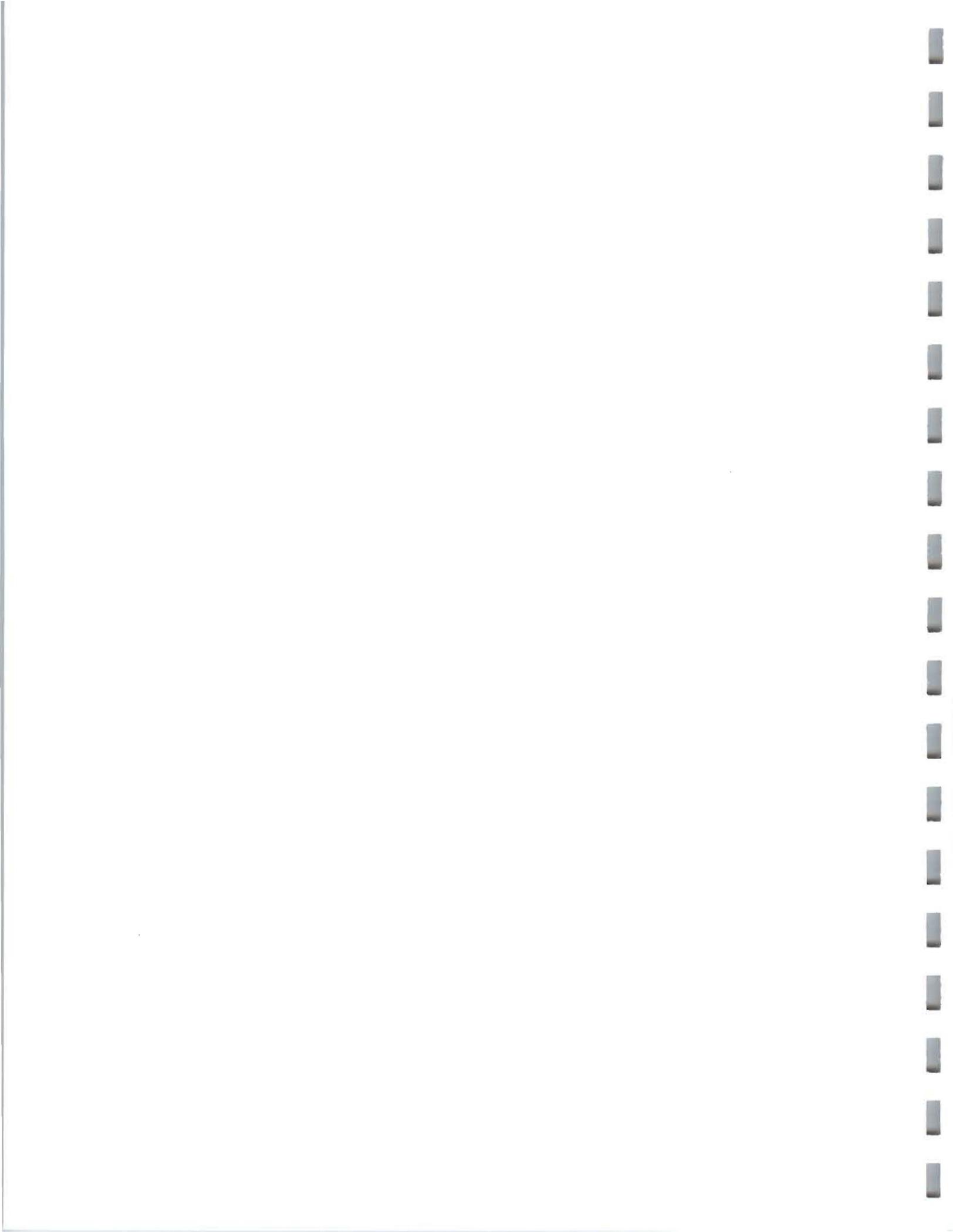
CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues		
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs:</u>				
Governmental activities:				
General government	\$ 1,418,904	435,060	-	3,616
Legal	335,319	-	-	-
Public safety	10,339,885	1,582,177	53,258	61,825
Court	701,087	-	-	-
Public property maintenance	732,332	-	-	-
Sanitation	254,650	-	-	-
Health	45,634	-	-	-
Street maintenance	4,939,012	-	1,054,489	-
Recreation	1,509,517	112,026	2,500	-
Shop and maintenance	570,362	-	-	-
Landscape	485,332	-	-	-
Engineering	113,642	-	-	-
Pay to other agency	58,955	-	-	-
Interest and fiscal charges on long-term debt	1,726,937	-	-	-
Total governmental activities	23,231,568	2,129,263	1,110,247	65,441
Business-type activities:				
Golf course	977,858	655,782	-	-
R/C park	65,138	47,576	-	-
Water and sewer	7,966,215	9,730,462	-	342,667
Total business-type activities	9,009,211	10,433,820	-	342,667
Total government	\$ 32,240,779	12,563,083	1,110,247	408,108
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				
Gain (loss) on disposal of capital assets				
Transfers				
Total general revenues, special item and transfers				
Change in net position				
Net position at beginning of year, as previously reported				
Prior period adjustment				
Net position at beginning of year, as restated				
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>
(980,228)	-	(980,228)
(335,319)	-	(335,319)
(8,642,625)	-	(8,642,625)
(701,087)	-	(701,087)
(732,332)	-	(732,332)
(254,650)	-	(254,650)
(45,634)	-	(45,634)
(3,884,523)	-	(3,884,523)
(1,394,991)	-	(1,394,991)
(570,362)	-	(570,362)
(485,332)	-	(485,332)
(113,642)	-	(113,642)
(58,955)	-	(58,955)
<u>(1,726,937)</u>	<u>-</u>	<u>(1,726,937)</u>
<u>(19,926,617)</u>	<u>-</u>	<u>(19,926,617)</u>
-	(322,076)	(322,076)
-	(17,562)	(17,562)
<u>-</u>	<u>2,106,914</u>	<u>2,106,914</u>
<u>-</u>	<u>1,767,276</u>	<u>1,767,276</u>
<u>(19,926,617)</u>	<u>1,767,276</u>	<u>(18,159,341)</u>
5,394,767	-	5,394,767
94,448	-	94,448
11,221,524	-	11,221,524
2,420,434	-	2,420,434
398,646	-	398,646
589,360	-	589,360
20,214	5,402	25,616
813,151	-	813,151
17,339	-	17,339
145,956	-	145,956
(4,687)	-	(4,687)
<u>(594,000)</u>	<u>594,000</u>	<u>-</u>
<u>20,517,152</u>	<u>599,402</u>	<u>21,116,554</u>
<u>590,535</u>	<u>2,366,678</u>	<u>2,957,213</u>
100,920,211	26,360,119	127,280,330
<u>(16,438,529)</u>	<u>(2,093,476)</u>	<u>(18,532,005)</u>
<u>84,481,682</u>	<u>24,266,643</u>	<u>108,748,325</u>
<u>85,072,217</u>	<u>26,633,321</u>	<u>111,705,538</u>



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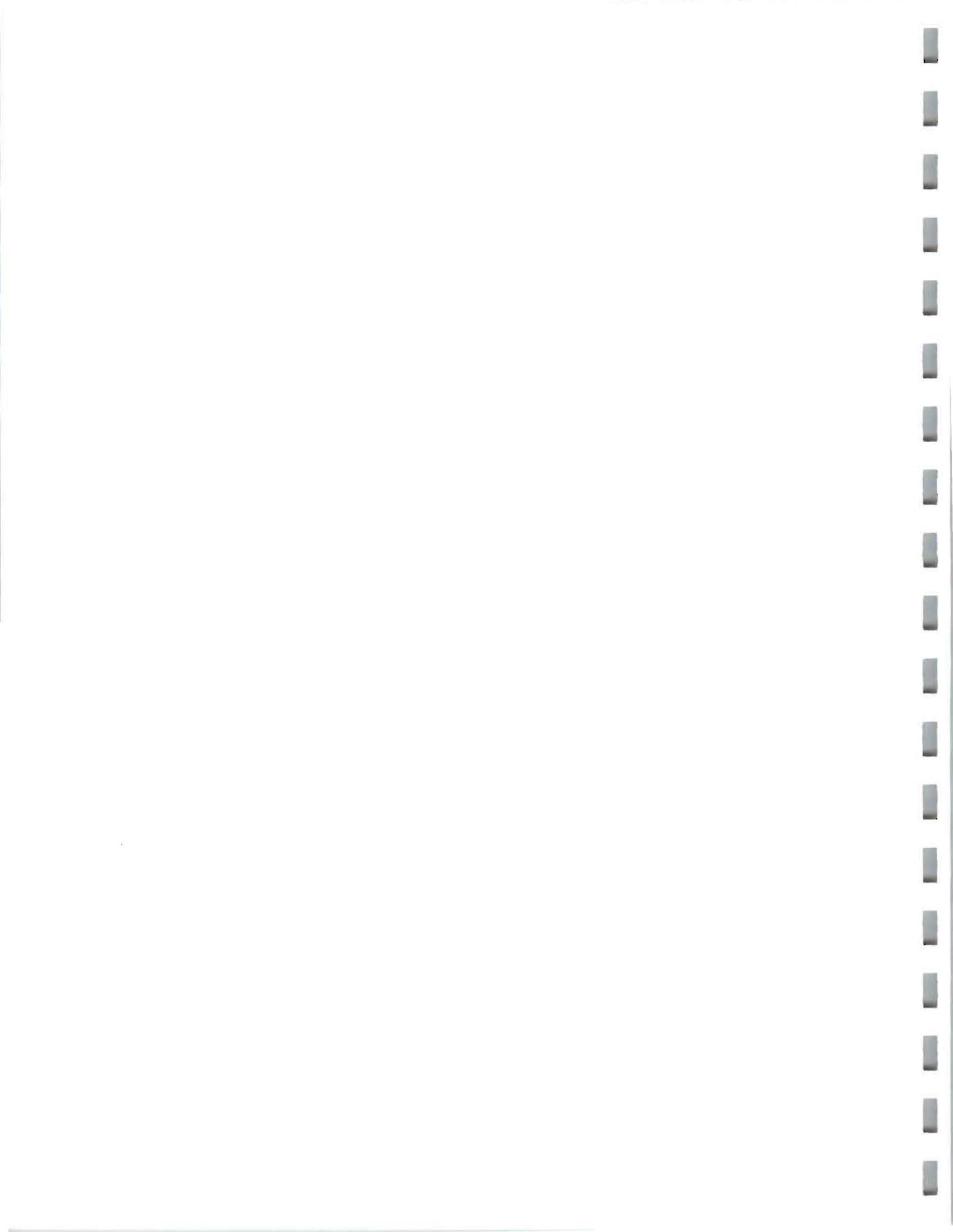
CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2015**

	<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	\$ 8,520,955	2,028,531	2,625,466
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	673,002	-	-
Grants	-	-	-
Taxes	5,465,790	228,614	451,416
Special assessments	2,413,863	-	1,081,154
Due from other funds	462,827	5,702	-
Due from other governments	-	-	6,043,435
Prepaid expenses	69,730	-	-
Total assets	\$ <u>17,606,167</u>	<u>2,262,847</u>	<u>10,201,471</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 432,714	-	-
Accrued liabilities	160,977	3,844	-
Funds held for others	-	-	30,000
Amount due to developer	-	-	11,967
Unearned revenue	153,930	31,000	-
Due to other funds	5,702	28,982	285,895
Total liabilities	<u>753,323</u>	<u>63,826</u>	<u>327,862</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	4,370,881	-	442,917
Unavailable revenue - special assessments	2,393,009	-	1,081,154
Unavailable revenue - court fines	548,247	-	-
Unavailable revenue - Rankin County	-	-	6,043,435
Total deferred inflows of resources	<u>7,312,137</u>	<u>-</u>	<u>7,567,506</u>
Fund Balances:			
Nonspendable:			
Prepays	69,730	-	-
Restricted for:			
Public safety	-	-	-
Debt service	-	-	2,306,103
Recreation and tourism	-	2,199,021	-
Assigned to:			
Fiscal year 2016 budget appropriations	1,000,000	-	-
Unassigned	8,470,977	-	-
Total fund balances	<u>9,540,707</u>	<u>2,199,021</u>	<u>2,306,103</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>17,606,167</u>	<u>2,262,847</u>	<u>10,201,471</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>
-	556,588	13,731,540
-	-	673,002
-	17,460	17,460
-	-	6,145,820
-	-	3,495,017
28,982	-	497,511
-	-	6,043,435
-	-	69,730
<u>28,982</u>	<u>574,048</u>	<u>30,673,515</u>
28,982	22,755	484,451
-	-	164,821
-	-	30,000
-	-	11,967
-	-	184,930
-	17,460	338,039
<u>28,982</u>	<u>40,215</u>	<u>1,214,208</u>
-	-	4,813,798
-	-	3,474,163
-	-	548,247
-	-	6,043,435
-	-	14,879,643
-	-	69,730
-	533,833	533,833
-	-	2,306,103
-	-	2,199,021
-	-	1,000,000
-	-	8,470,977
-	533,833	14,579,664
<u>28,982</u>	<u>574,048</u>	<u>30,673,515</u>

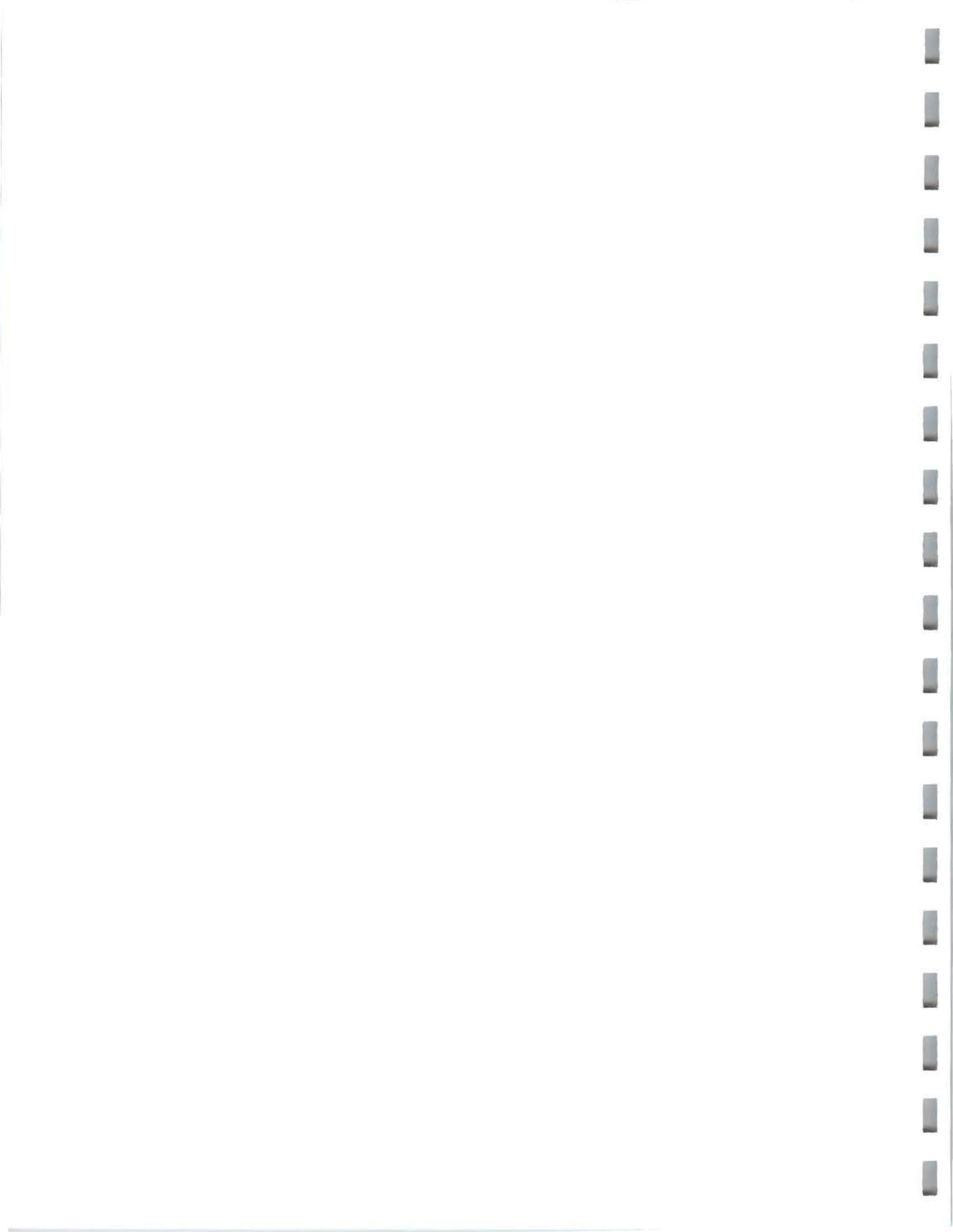


CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2015**

Total fund balances - governmental funds		\$ 14,579,664
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	185,202,568	
Less accumulated depreciation	<u>(64,746,209)</u>	120,456,359
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.		
		548,247
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.		
		9,517,598
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.		
		73,004
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		(20,155,765)
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	3,545,373	
Deferred inflows of resources related to pension	<u>(541,129)</u>	3,004,244
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	(30,310,505)	
Loan and lease obligations	(12,538,503)	
Unamortized deferred charges on refunding bonds	795,531	
Accrued interest payable	(501,200)	
Compensated absences	<u>(396,457)</u>	<u>(42,951,134)</u>
Net position of governmental activities		\$ <u>85,072,217</u>

The accompanying notes are an integral part of this statement.



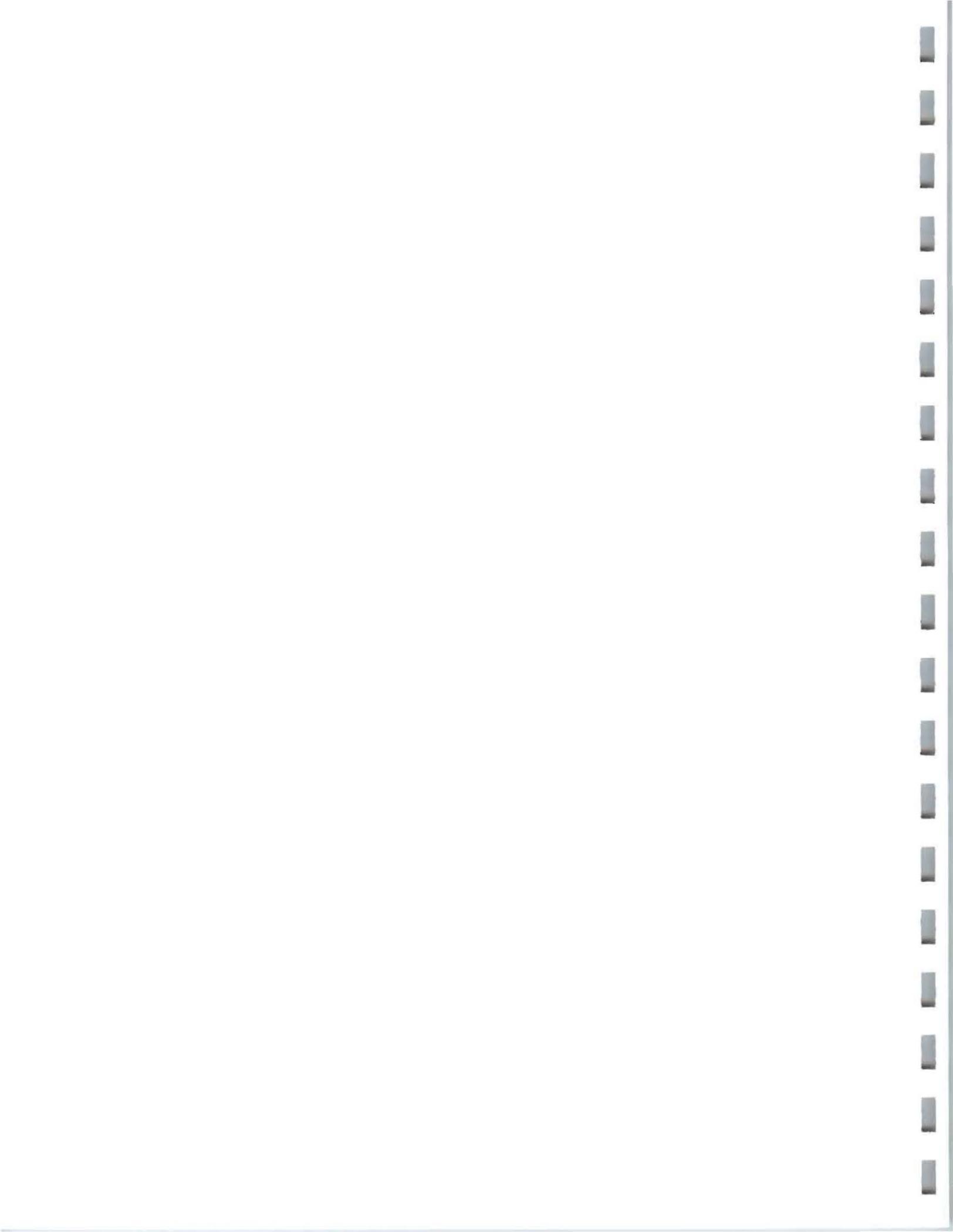
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CITY OF FLOWOOD, MISSISSIPPI

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

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 4,896,924	-	474,862
Prior years ad valorem	18,250	-	4,731
Interest and penalties on taxes	19,005	-	1,209
Special assessments	184,088	-	101,583
Franchise fees	589,360	-	-
Licenses and permits	390,460	-	-
Intergovernmental	11,638,520	2,424,050	655,320
Charges for services	164,021	-	-
Fines and forfeits	1,091,152	-	-
Contributions	-	46,950	-
Interest earned	10,544	3,680	1,972
Miscellaneous	102,041	3,199	-
Total revenues	<u>19,104,365</u>	<u>2,477,879</u>	<u>1,239,677</u>
EXPENDITURES:			
Current:			
General government	1,245,674	-	-
Legal	319,449	-	-
Public safety	9,627,483	-	-
Court	681,779	-	-
Public property maintenance	666,281	-	-
Sanitation	254,650	-	-
Health	43,097	-	-
Street and maintenance	1,161,958	-	-
Recreation	-	1,074,721	-
Shop and maintenance	549,049	-	-
Landscape	462,053	-	-
Engineering	112,224	-	-
Capital projects	-	-	-
Pay to other agency	-	-	58,955
Debt service:			
Principal	71,980	-	2,350,926
Debt issuance costs	-	-	187,708
Interest and other fiscal charges	489	-	1,708,482
Total expenditures	<u>15,196,166</u>	<u>1,074,721</u>	<u>4,306,071</u>
Excess (deficiency) of revenues over expenditures	<u>3,908,199</u>	<u>1,403,158</u>	<u>(3,066,394)</u>

<u>City-Wide Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
-	-	5,371,786
-	-	22,981
-	-	20,214
-	-	285,671
-	-	589,360
-	-	390,460
-	1,169,572	15,887,462
-	-	164,021
-	454,271	1,545,423
-	-	46,950
-	814	17,010
-	-	105,240
<u>-</u>	<u>1,624,657</u>	<u>24,446,578</u>
-	-	1,245,674
-	-	319,449
-	363,046	9,990,529
-	-	681,779
-	-	666,281
-	-	254,650
-	-	43,097
-	1,028,188	2,190,146
-	-	1,074,721
-	-	549,049
-	-	462,053
-	-	112,224
1,006,326	-	1,006,326
-	-	58,955
-	-	2,422,906
-	-	187,708
-	-	1,708,971
<u>1,006,326</u>	<u>1,391,234</u>	<u>22,974,518</u>
<u>(1,006,326)</u>	<u>233,423</u>	<u>1,472,060</u>



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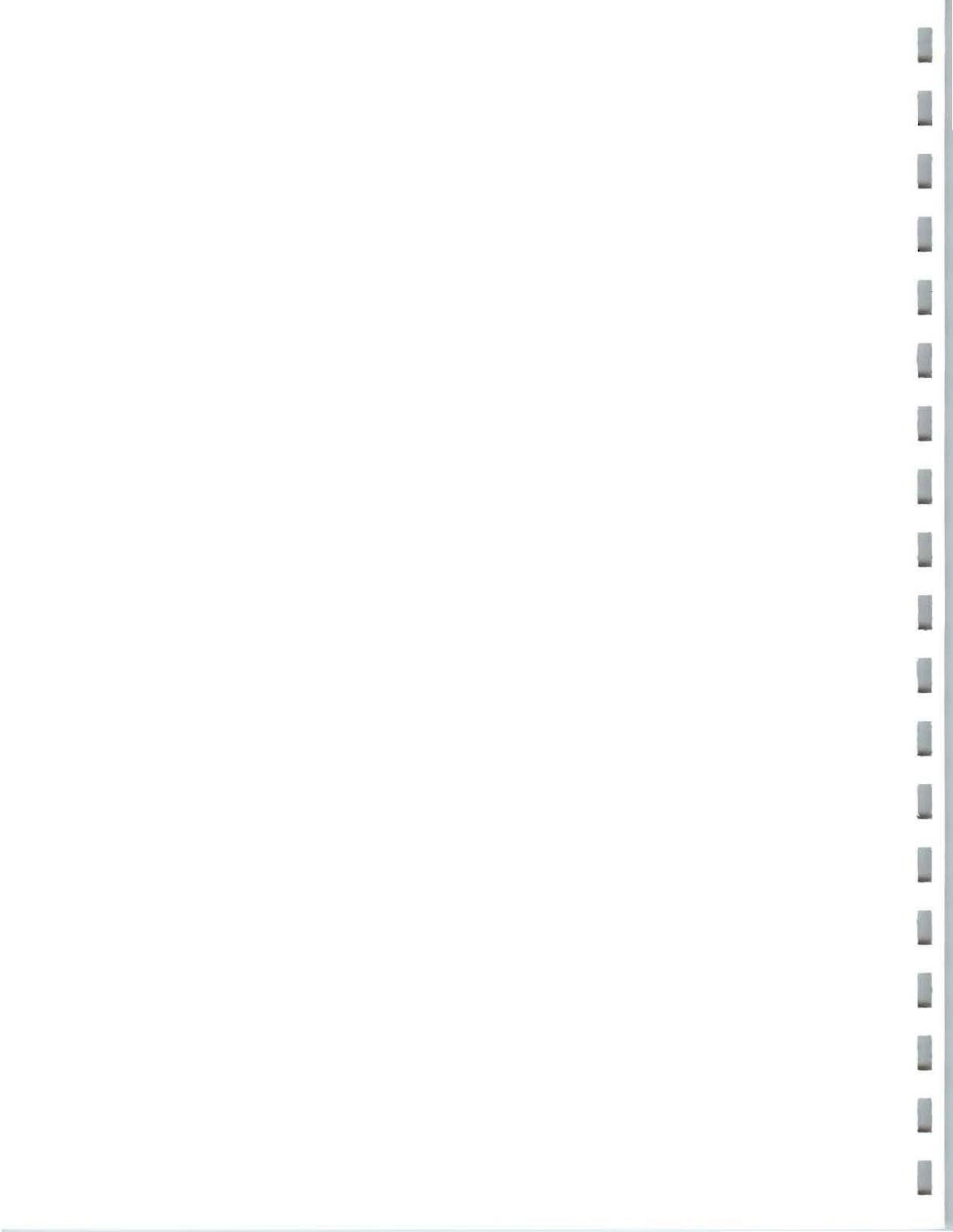
CITY OF FLOWOOD, MISSISSIPPI

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

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
EXPENDITURES - CONTINUED:			
Other financing sources (uses):			
Proceeds from capital lease	370,105	-	-
Proceeds from refunding bonds	-	-	14,876,045
Premium on refunding bonds	-	-	824,116
Payment to refunded bond escrow agent	-	-	(6,189,817)
Debt service - principal	-	-	(9,476,045)
Operating transfers in	67,755	-	2,624,499
Operating transfers out	<u>(2,365,286)</u>	<u>(1,859,227)</u>	-
Total other financing sources (uses)	<u>(1,927,426)</u>	<u>(1,859,227)</u>	<u>2,658,798</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,980,773	(456,069)	(407,596)
Fund balances at beginning of year	<u>7,559,934</u>	<u>2,655,090</u>	<u>2,713,699</u>
Fund balances at end of year	\$ <u>9,540,707</u>	<u>2,199,021</u>	<u>2,306,103</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>
-	-	370,105
-	-	14,876,045
-	-	824,116
-	-	(6,189,817)
-	-	(9,476,045)
1,006,014	-	3,698,268
<u>-</u>	<u>(67,755)</u>	<u>(4,292,268)</u>
<u>1,006,014</u>	<u>(67,755)</u>	<u>(189,596)</u>
(312)	165,668	1,282,464
<u>312</u>	<u>368,165</u>	<u>13,297,200</u>
<u>-</u>	<u>533,833</u>	<u>14,579,664</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, 2015**

Net change in fund balances - total governmental funds \$ 1,282,464

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	2,031,092	
Less current year depreciation expense	<u>(4,197,524)</u>	(2,166,432)

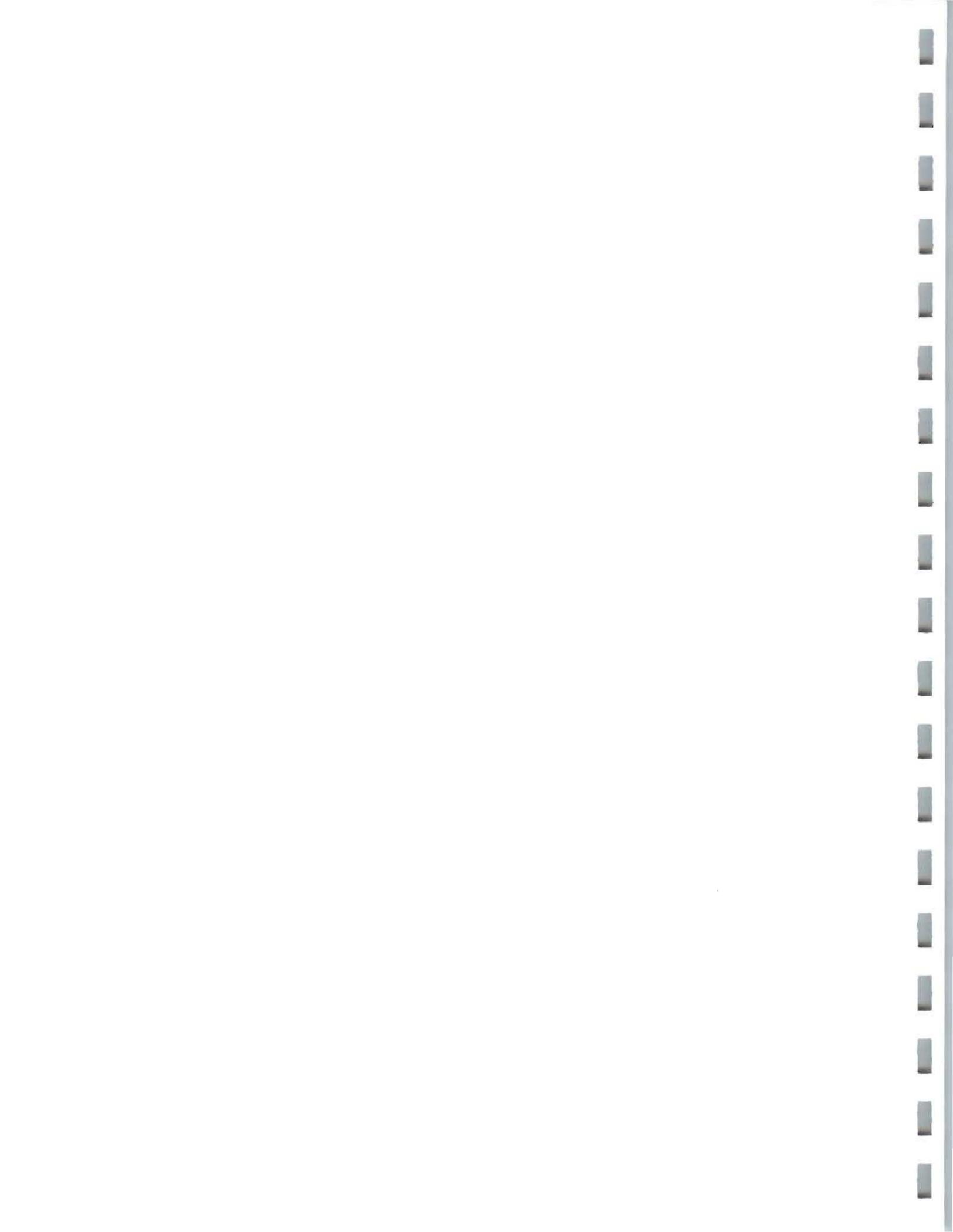
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(10,921)
--	----------

Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years.	(19,883)
---	----------

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
--	--------

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: Refunding bonds and capital lease obligations issued, including a bond premium of \$824,116.	(16,070,266)
---	--------------

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.	18,088,768
--	------------



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, 2015

The Statement of Activities reports pension expense and other activity related to the net pension liability:

Contributions made after the measurement date	366,825	
Pension expense	<u>(1,079,817)</u>	\$ (712,992)

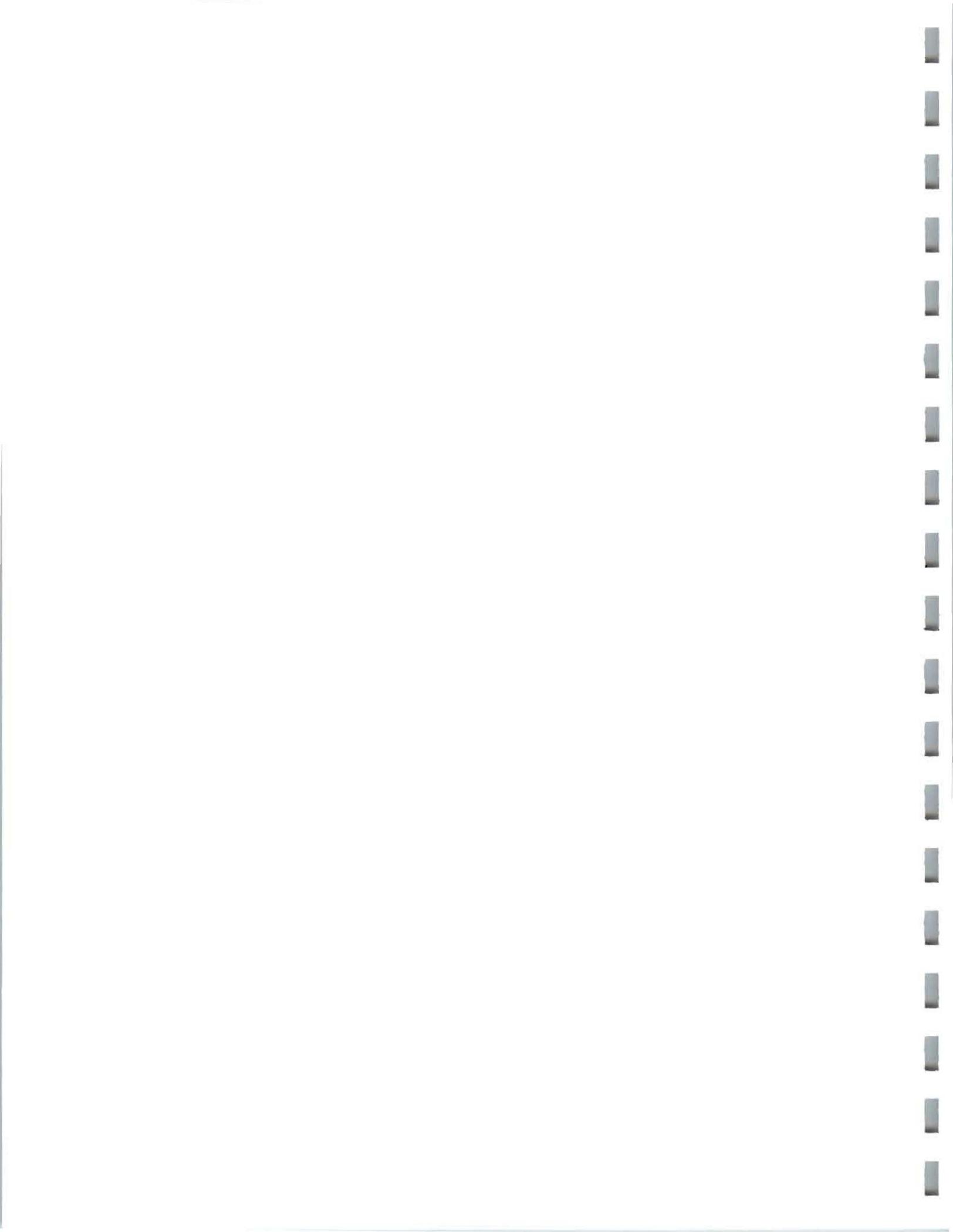
An internal service fund is used by management to charge the cost of health and dental insurance to individual funds. The net revenue (expense) is reported with governmental activities. 47,388

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	132,972	
Amortization of deferred charges on refunding bonds	(29,295)	
Change in compensated absences	<u>(17,333)</u>	<u>86,344</u>

Change in net position of governmental activities \$ 590,535

The accompanying notes are an integral part of this statement.



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CITY OF FLOWOOD, MISSISSIPPI

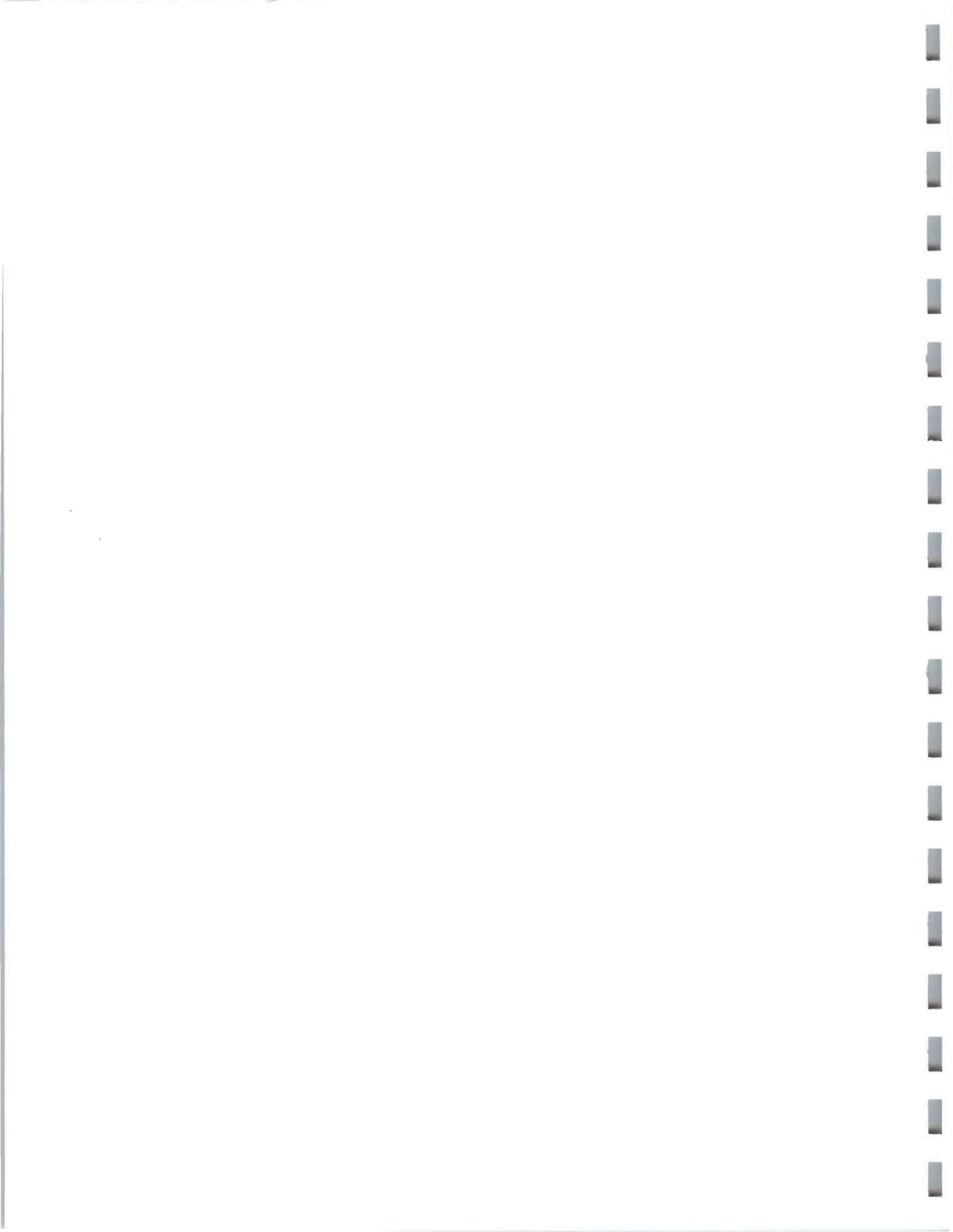
**STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF SEPTEMBER 30, 2015**

	<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	\$ 3,254,738	88,263	18,403	3,361,404	169,306
Receivables (net of allowance for uncollectibles, where applicable):					
Accounts	911,711	37,333	-	949,044	44,928
Grants	319,303	-	-	319,303	-
Prepaid expenses	88,856	-	-	88,856	-
Total current assets	<u>4,574,608</u>	<u>125,596</u>	<u>18,403</u>	<u>4,718,607</u>	<u>214,234</u>
Restricted assets:					
Customer deposits	453,419			453,419	
Principal reserve escrow account	584,550	-	-	584,550	-
Total restricted assets	<u>1,037,969</u>	<u>-</u>	<u>-</u>	<u>1,037,969</u>	<u>-</u>
Property, plant and equipment:					
Land	766,808	-	-	766,808	-
Machinery and equipment	1,317,617	-	-	1,317,617	-
Water distribution system	60,763,748	-	-	60,763,748	-
R/C Track Park facilities	-	-	49,683	49,683	-
Golf course facilities	-	4,383,961	-	4,383,961	-
	62,848,173	4,383,961	49,683	67,281,817	-
Less: accumulated depreciation	<u>(21,047,546)</u>	<u>(3,825,055)</u>	<u>(6,359)</u>	<u>(24,878,960)</u>	<u>-</u>
	41,800,627	558,906	43,324	42,402,857	-
Construction in progress	407,339	-	-	407,339	-
Net property, plant and equipment	<u>42,207,966</u>	<u>558,906</u>	<u>43,324</u>	<u>42,810,196</u>	<u>-</u>
Total assets	<u>47,820,543</u>	<u>684,502</u>	<u>61,727</u>	<u>48,566,772</u>	<u>214,234</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred charge on refunding	97,211	62,938	-	160,149	-
Deferred outflows related to pension	525,041	-	-	525,041	-
Total deferred outflows of resources	\$ <u>622,252</u>	<u>62,938</u>	<u>-</u>	<u>685,190</u>	<u>-</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	\$ 407,416	-	-	407,416	140,191
Accrued interest payable	175,321	48,676	-	223,997	-
Accrued liabilities	19,796	2,024	-	21,820	-
Due to other funds	12,852	122,361	24,259	159,472	-
Compensated absences - current	4,527	-	-	4,527	-
Notes payable - current	458,898	-	-	458,898	-
Bonds payable - current	497,008	240,000	-	737,008	-
Total current liabilities	<u>1,575,818</u>	<u>413,061</u>	<u>24,259</u>	<u>2,013,138</u>	<u>140,191</u>
Current liabilities payable from restricted assets:					
Customer deposits	<u>453,419</u>	<u>-</u>	<u>-</u>	<u>453,419</u>	<u>-</u>
Long-term liabilities:					
Compensated absences	42,253	-	-	42,253	-
Notes payable - net of current portion	9,345,151	-	-	9,345,151	-
Bonds payable - net of current portion	5,125,679	2,575,000	-	7,700,679	-
Net pension liability	2,984,903	-	-	2,984,903	-
Total long-term liabilities	<u>17,497,986</u>	<u>2,575,000</u>	<u>-</u>	<u>20,072,986</u>	<u>-</u>
Total liabilities	<u>19,527,223</u>	<u>2,988,061</u>	<u>24,259</u>	<u>22,539,543</u>	<u>140,191</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflows related to pension	<u>80,137</u>	<u>-</u>	<u>-</u>	<u>80,137</u>	<u>-</u>
Total deferred outflows of resources	<u>80,137</u>	<u>-</u>	<u>-</u>	<u>80,137</u>	<u>-</u>
<u>NET POSITION</u>					
Net investment in capital assets	26,781,230	-	43,324	26,824,554	-
Restricted for debt service	584,550	-	-	584,550	-
Unrestricted	1,469,655	(2,240,621)	(5,856)	(776,822)	74,043
Total net position	<u>\$ 28,835,435</u>	<u>(2,240,621)</u>	<u>37,468</u>	<u>26,632,282</u>	<u>74,043</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>1,039</u>	
Net assets of business-type activities				<u>\$ 26,633,321</u>	

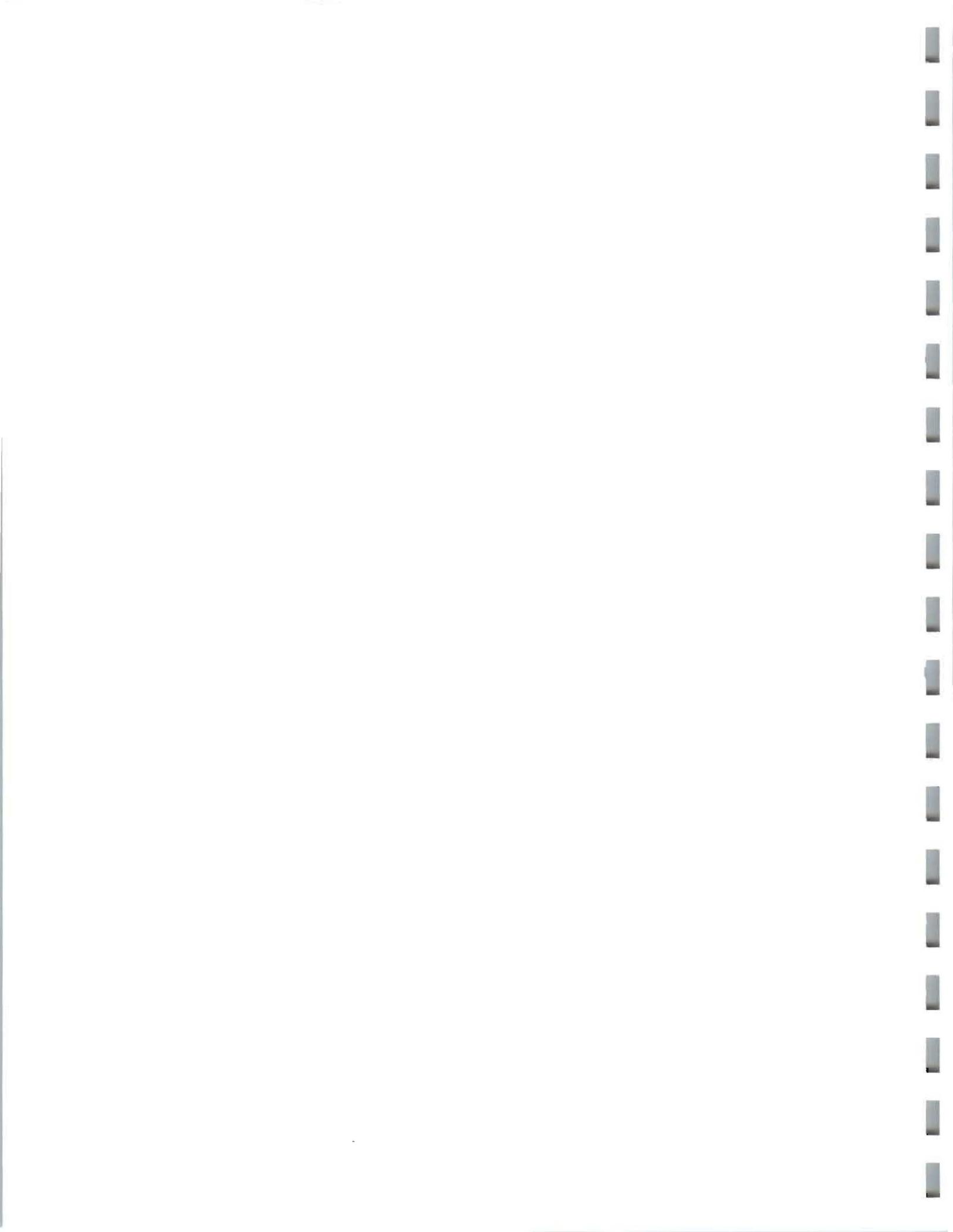


CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-Type Activities Enterprise Funds			Totals	Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund		
OPERATING REVENUES:					
Water sales	\$ 2,424,250	-	-	2,424,250	-
Sewer charges	6,894,890	-	-	6,894,890	-
Tap fees and connection fees	355,111	-	-	355,111	-
Late fees	56,211	-	-	56,211	-
Health and dental contributions	-	-	-	-	2,974,682
Golf course revenue	-	655,782	-	655,782	-
R/C track revenue	-	-	47,576	47,576	-
Total operating revenues	<u>9,730,462</u>	<u>655,782</u>	<u>47,576</u>	<u>10,433,820</u>	<u>2,974,682</u>
OPERATING EXPENSES:					
Personal services	2,193,280	-	-	2,193,280	-
Supplies	496,316	-	-	496,316	-
Other service charges	2,964,456	-	-	2,964,456	-
Depreciation	1,771,364	27,798	1,589	1,800,751	-
Claims expense	-	-	-	-	2,921,741
Golf course expenses	-	809,403	-	809,403	-
R/C track expenses	-	-	63,549	63,549	-
Total operating expenses	<u>7,425,416</u>	<u>837,201</u>	<u>65,138</u>	<u>8,327,755</u>	<u>2,921,741</u>
OPERATING INCOME (LOSS)	<u>2,305,046</u>	<u>(181,419)</u>	<u>(17,562)</u>	<u>2,106,065</u>	<u>52,941</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest income	5,305	70	27	5,402	329
Bond interest and fiscal charges	(546,681)	(140,657)	-	(687,338)	-
Operating transfers in	-	575,000	19,000	594,000	-
Total nonoperating revenues (expenses)	<u>(541,376)</u>	<u>434,413</u>	<u>19,027</u>	<u>(87,936)</u>	<u>329</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>1,763,670</u>	<u>252,994</u>	<u>1,465</u>	<u>2,018,129</u>	<u>53,270</u>
Capital contributions - grants	342,667	-	-	342,667	-
CHANGE IN NET POSITION	<u>2,106,337</u>	<u>252,994</u>	<u>1,465</u>	<u>2,360,796</u>	<u>53,270</u>
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	<u>28,822,574</u>	<u>(2,493,615)</u>	<u>36,003</u>	<u>26,364,962</u>	<u>20,773</u>
PRIOR PERIOD ADJUSTMENT	<u>(2,093,476)</u>	<u>-</u>	<u>-</u>	<u>(2,093,476)</u>	<u>-</u>
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	<u>26,729,098</u>	<u>(2,493,615)</u>	<u>36,003</u>	<u>24,271,486</u>	<u>20,773</u>
NET POSITION AT END OF YEAR	<u>\$ 28,835,435</u>	<u>(2,240,621)</u>	<u>37,468</u>	<u>26,632,282</u>	<u>74,043</u>
Net change in net position - total proprietary funds				\$ 2,360,796	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				5,882	
Net change in net position of business-type activities				\$ <u>2,366,678</u>	

The accompanying notes are an integral part of this statement.

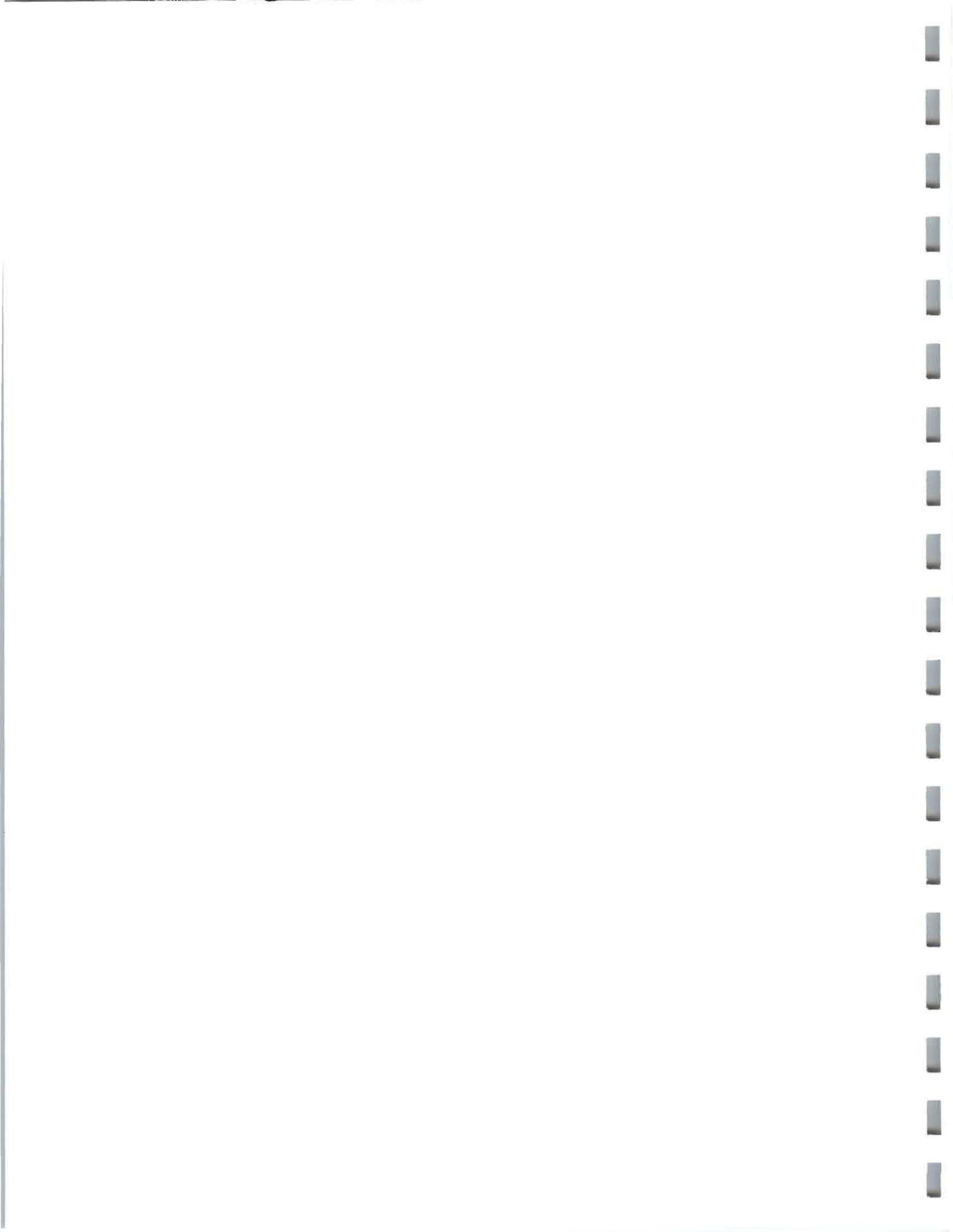


CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	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	\$ 9,648,289	639,566	47,576	10,335,431	-
Health and dental contributions received	-	-	-	-	3,027,176
Cash paid to suppliers and employees	(5,415,810)	(808,692)	(63,549)	(6,288,051)	(2,971,171)
Net cash provided by (used in) operating activities	<u>4,232,479</u>	<u>(169,126)</u>	<u>(15,973)</u>	<u>4,047,380</u>	<u>56,005</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfer in	-	575,000	19,000	594,000	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>575,000</u>	<u>19,000</u>	<u>594,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from bonds and notes	1,618,955	-	-	1,618,955	-
Principal paid on bonds and notes	(2,620,206)	(235,000)	-	(2,855,206)	-
Increase (decrease) in amount due to other funds	12,852	(48,997)	(3,952)	(40,097)	-
Interest paid on bonds and notes	(507,465)	(121,521)	-	(628,986)	-
Acquisition of fixed assets	(1,995,223)	(52,497)	-	(2,047,720)	-
Capital contributions	23,364	-	-	23,364	-
Net cash provided by (used in) capital and related financing activities	<u>(3,467,723)</u>	<u>(458,015)</u>	<u>(3,952)</u>	<u>(3,929,690)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale (purchases) of investments - net	141,305	-	-	141,305	329
Earnings on invested proceeds	5,305	70	27	5,402	-
Net cash provided by investing activities	<u>146,610</u>	<u>70</u>	<u>27</u>	<u>146,707</u>	<u>329</u>
Net increase (decrease) in cash and cash equivalents	911,366	(52,071)	(898)	858,397	56,334
Cash and cash equivalents at beginning of year (including \$1,087,020 in restricted accounts)	<u>3,381,341</u>	<u>140,334</u>	<u>19,301</u>	<u>3,540,976</u>	<u>112,972</u>
Cash and cash equivalents at end of year (including \$1,037,969 in restricted accounts)	\$ <u>4,292,707</u>	<u>88,263</u>	<u>18,403</u>	<u>4,399,373</u>	<u>169,306</u>

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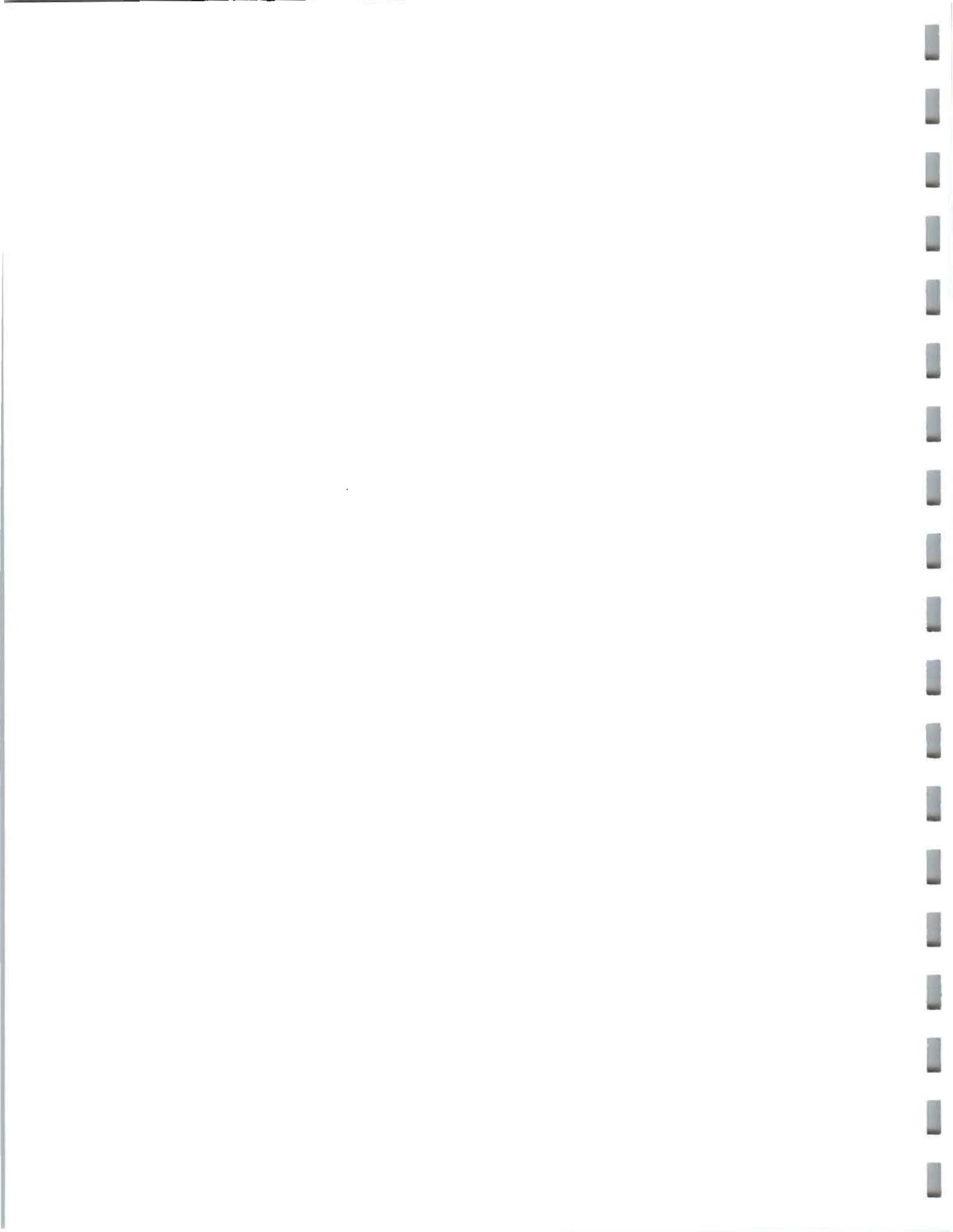


CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	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 TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,305,046	(181,419)	(17,562)	2,106,065	52,941
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	1,771,364	27,798	1,589	1,800,751	-
(Increase) decrease in:					
Accounts receivable	(115,848)	(16,216)	-	(132,064)	52,494
Prepaid expenses	(17,127)	-	-	(17,127)	-
Deferred outflows related to pension	(469,857)	-	-	(469,857)	-
Increase (decrease) in:					
Accounts payable	(214,752)	-	-	(214,752)	(49,430)
Accrued compensated absences	1,567	-	-	1,567	-
Accrued liabilities	9,807	711	-	10,518	-
Customer deposits	33,675	-	-	33,675	-
Compensated absences - long-term	12,224	-	-	12,224	-
Net pension liability	836,243	-	-	836,243	-
Deferred inflows related to pension	80,137	-	-	80,137	-
Total adjustments	<u>1,927,433</u>	<u>12,293</u>	<u>1,589</u>	<u>1,941,315</u>	<u>3,064</u>
Net cash provided by (used in) operating activities	\$ <u>4,232,479</u>	<u>(169,126)</u>	<u>(15,973)</u>	<u>4,047,380</u>	<u>56,005</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Amortization of deferred charges	\$ <u>12,151</u>	<u>23,053</u>	<u>-</u>	<u>35,204</u>	<u>-</u>
Amortization of bond premium included in interest expense	\$ <u>(11,390)</u>	<u>-</u>	<u>-</u>	<u>(11,390)</u>	<u>-</u>

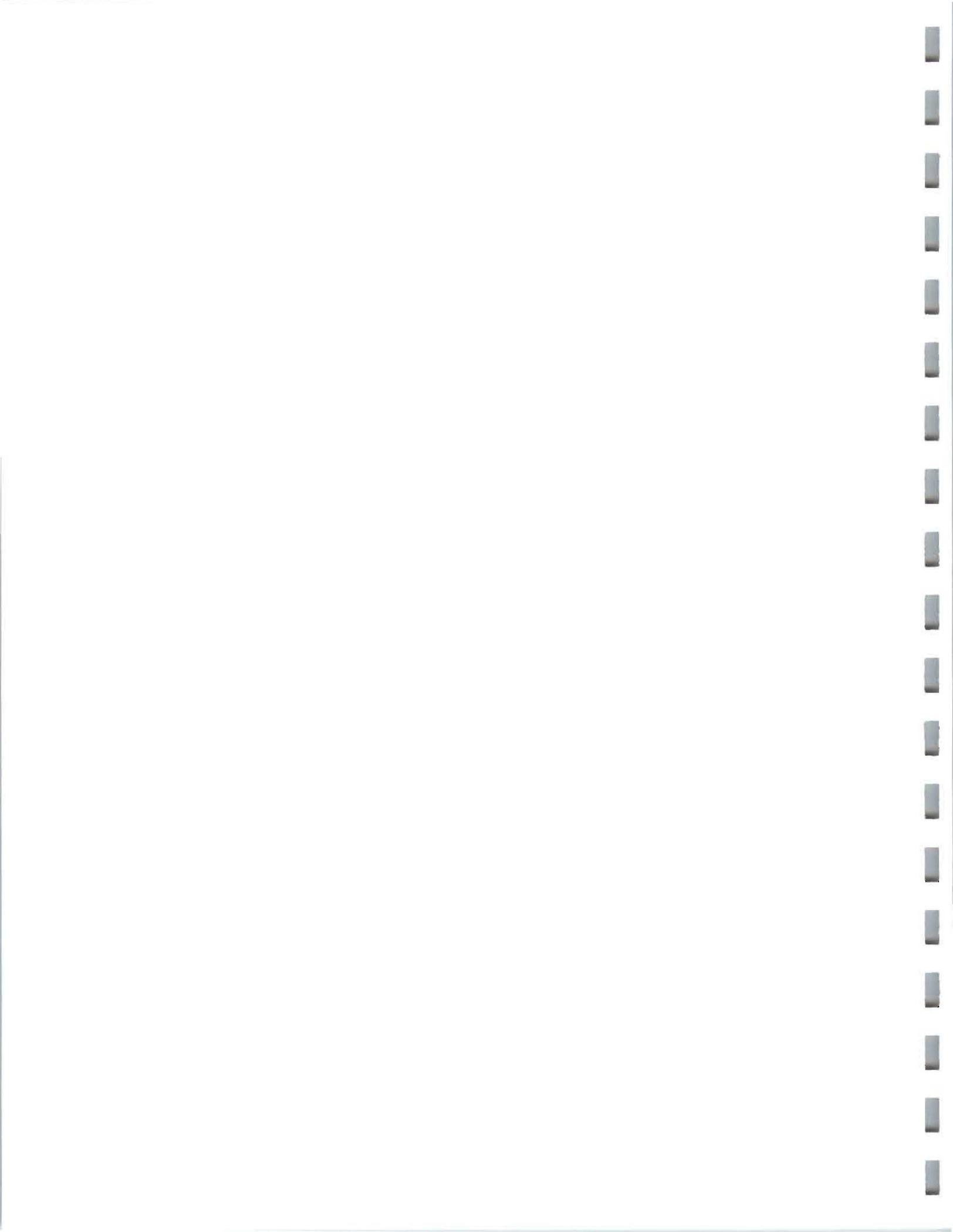
The accompanying notes are an integral part of this statement.



CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
AS OF SEPTEMBER 30, 2015

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ <u>1,396,104</u>
Total assets	\$ <u><u>1,396,104</u></u>
LIABILITIES:	
Due to other governments	\$ <u>1,396,104</u>
Total liabilities	\$ <u><u>1,396,104</u></u>

The accompanying notes are an integral part of this statement.



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. 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.

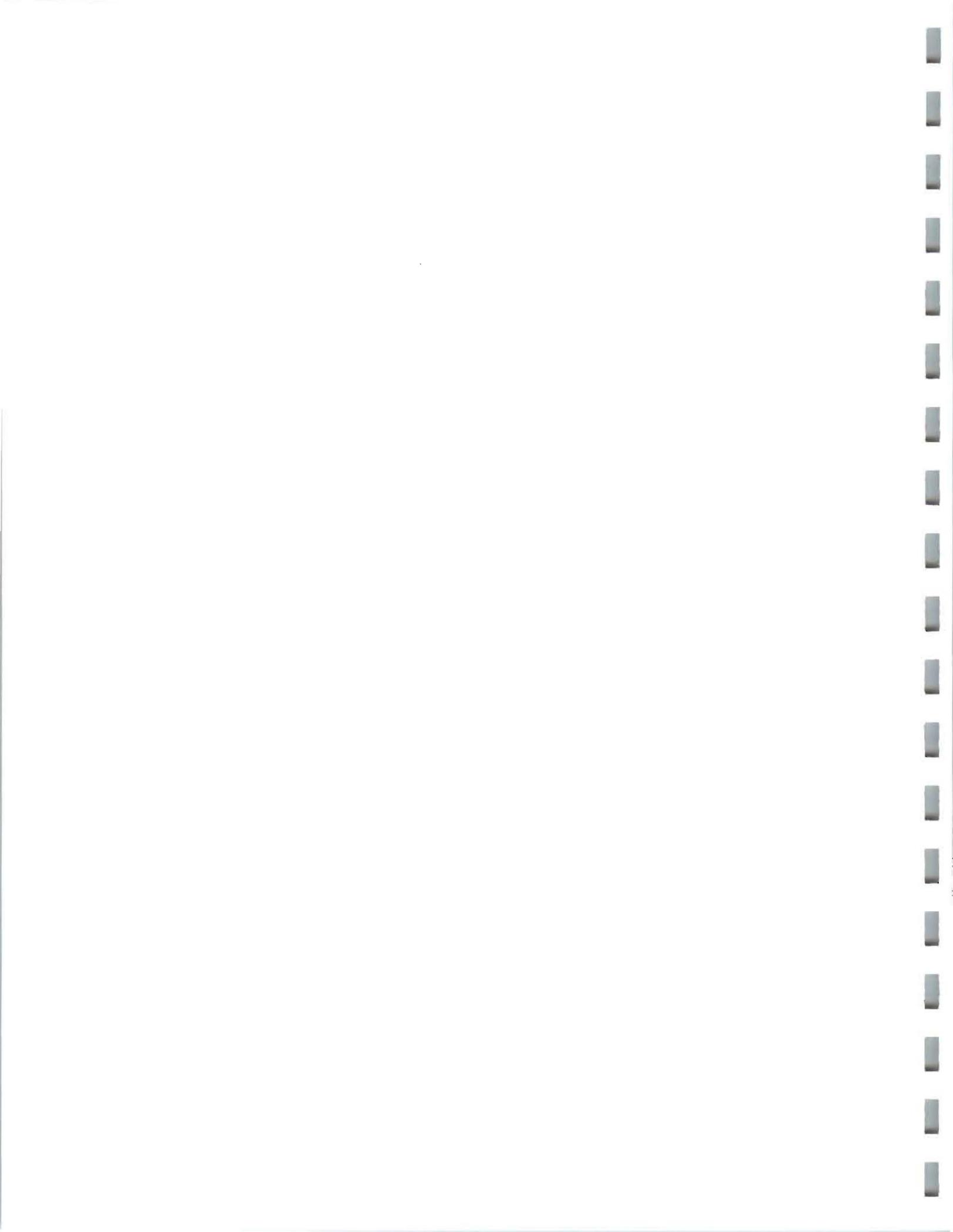
The Flowood Civic Improvement Corporation and the Flowood Golf Course Improvement Corporation are governed by a seven-member board consisting of the Mayor, Board of Aldermen and City Clerk of the City. Although the Corporations are legally separate from the City, the Corporations are reported as if they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

B. Government-Wide and Fund Financial Statements

Basic financial statements consist of the following:

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



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 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.

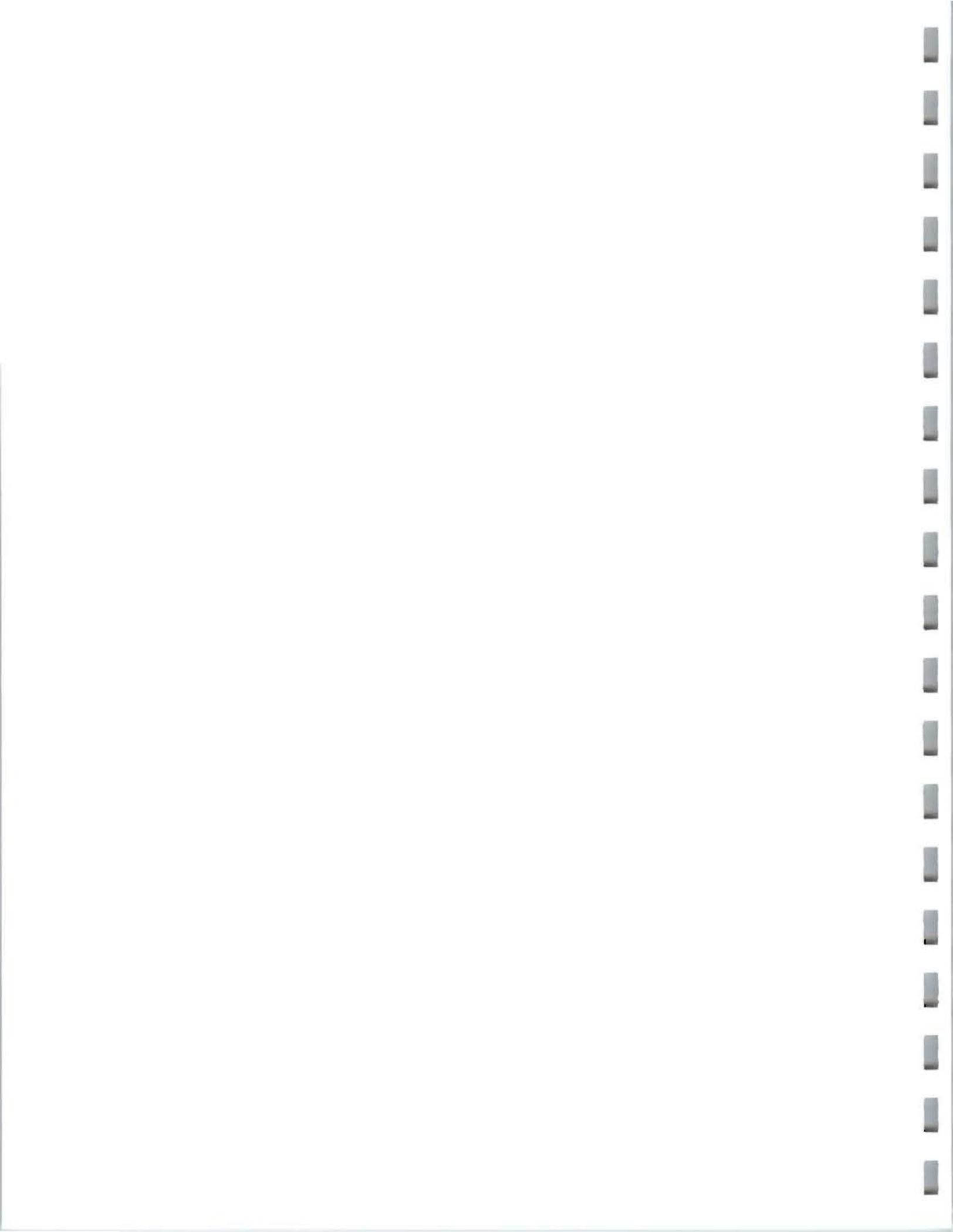
The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation 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



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The **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.

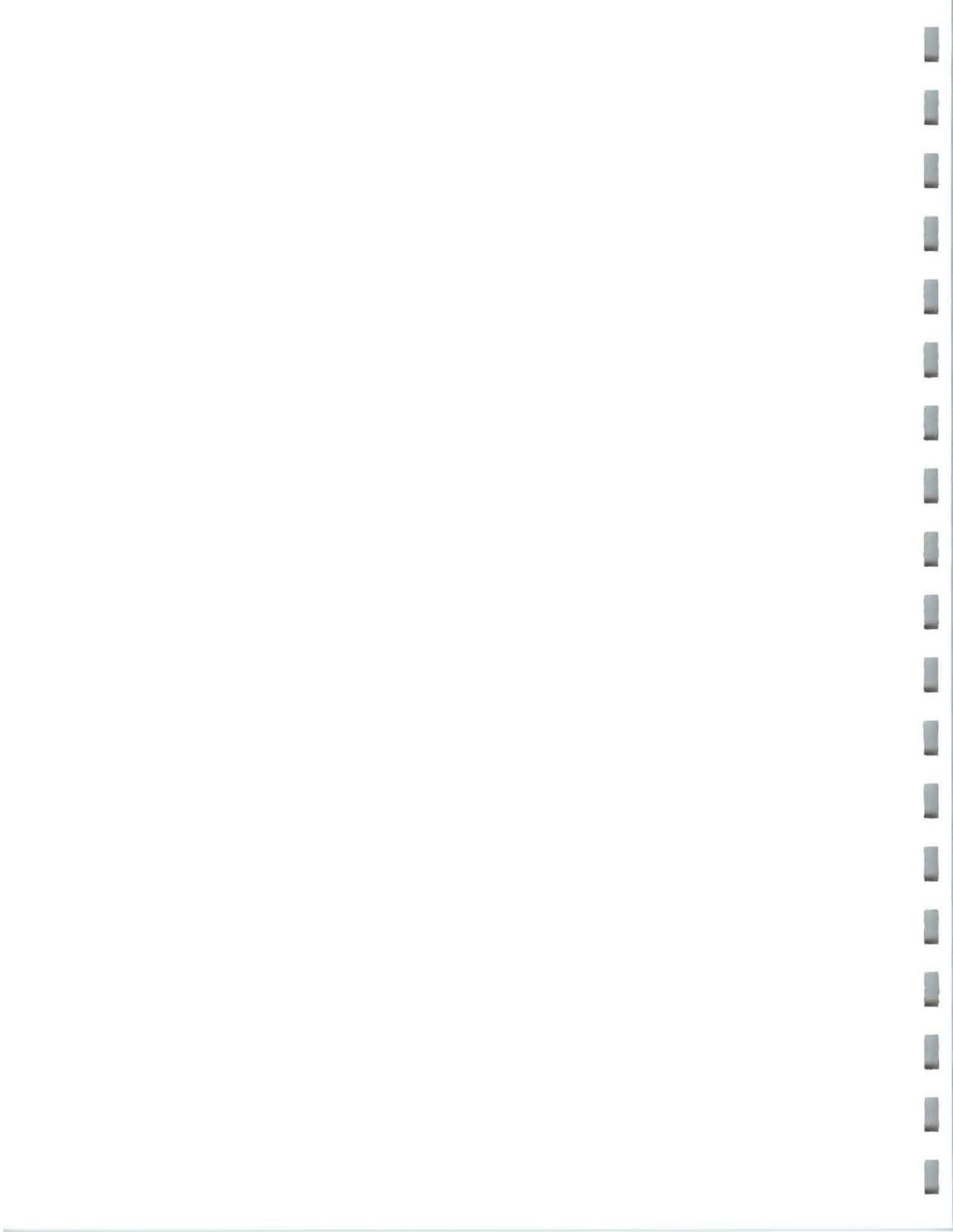
The **Golf Course Fund** accounts for the activities of the eighteen-hole golf course located in the City.

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.

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CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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

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

E. Receivables

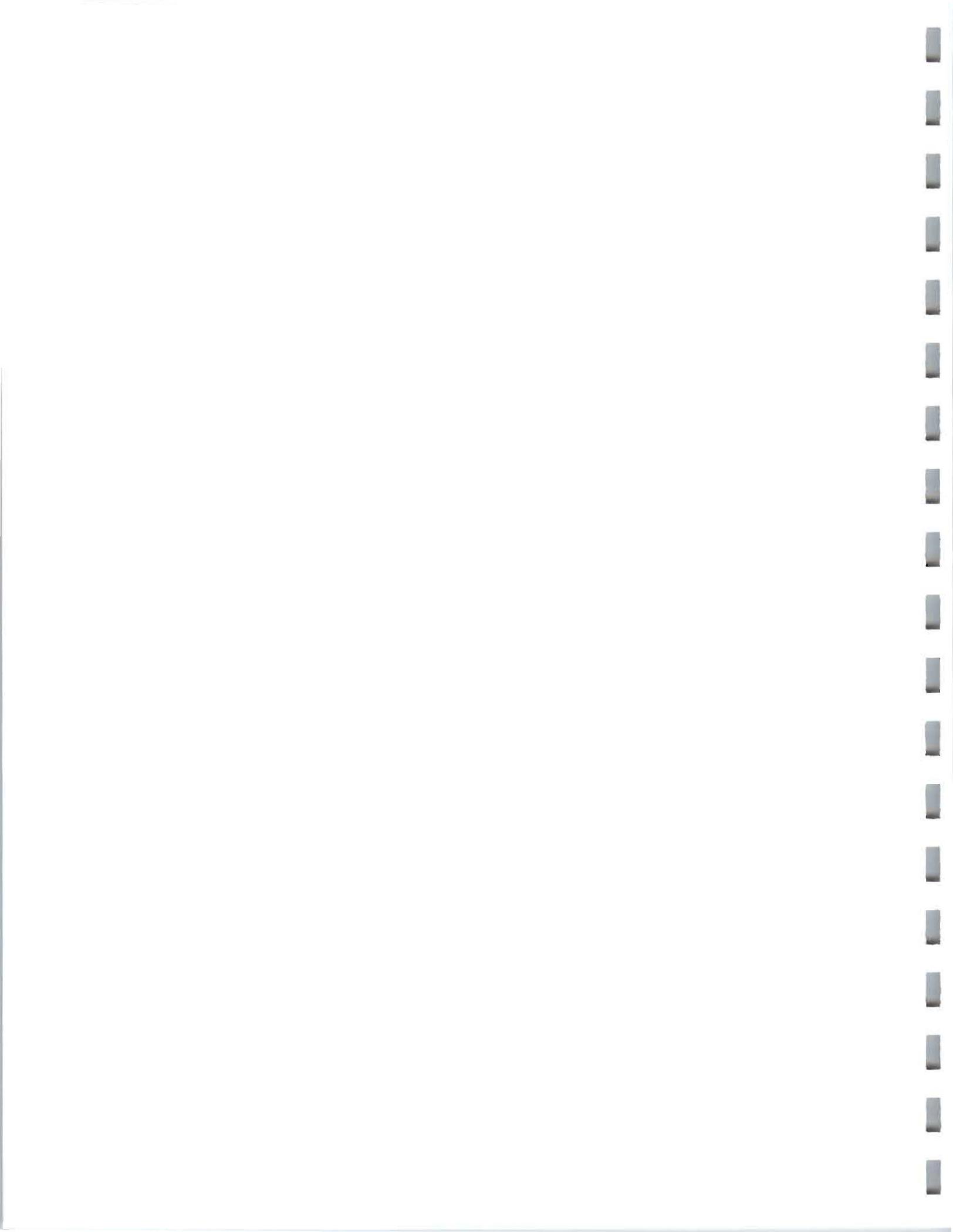
Receivables, net of estimated uncollectible amounts, are reported in the governmental and proprietary financial statements for goods and services, taxes, loans, grants, and interest. The estimated uncollectible amounts by fund are reported in Note 4.

F. Prepaid Items

The City's prepayment of its estimated matching share to the State of Mississippi for capital projects is reflected as a prepaid expense in both the government-wide statements and fund financial statements until the related construction costs are incurred. Certain payments to vendors reflect costs applicable to future accounting periods and are also recorded as prepaid items in both the government-wide statements and fund financial statements.

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



CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 on net position 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.

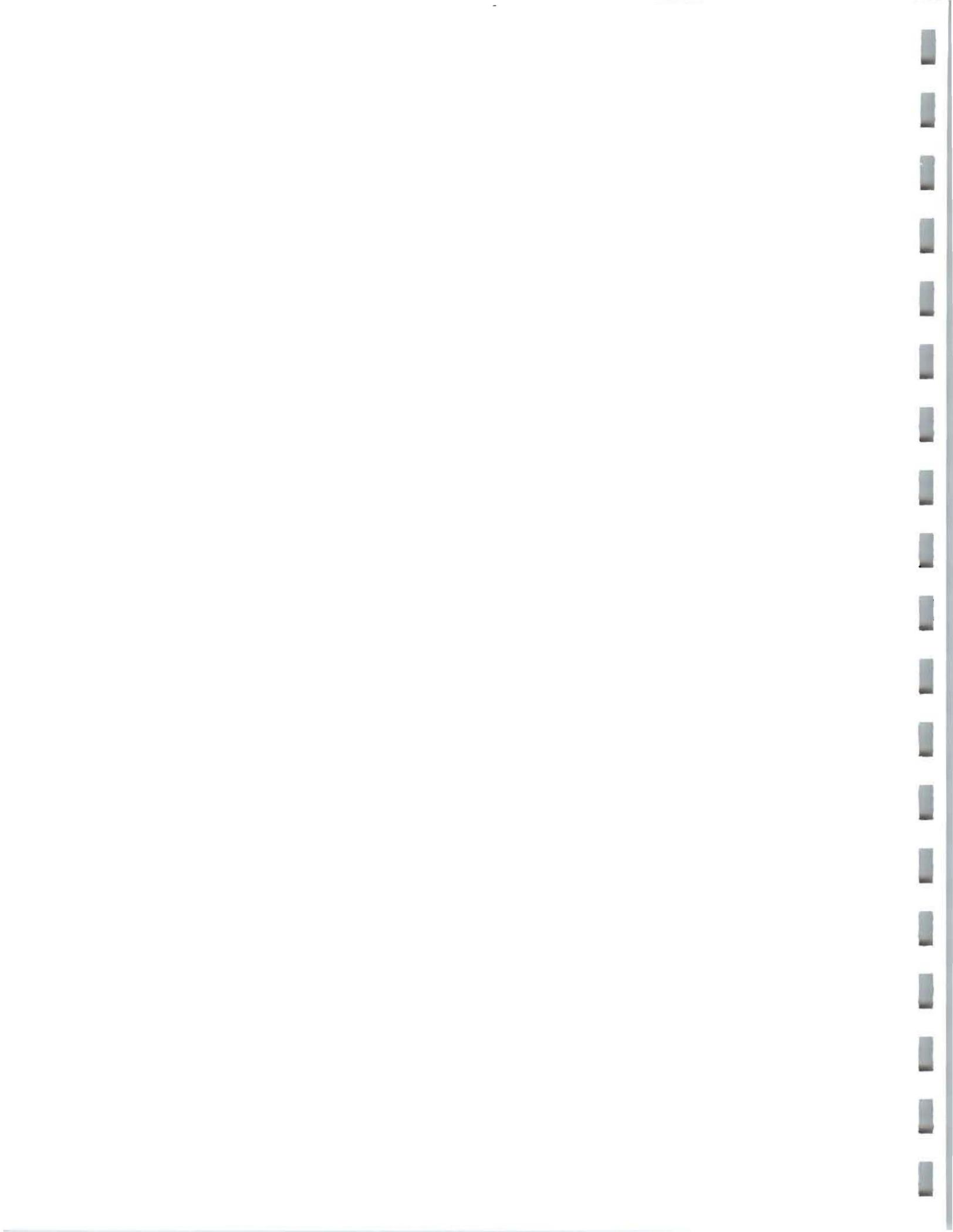
The governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior 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 and business-type activities columns of the government-wide financial statements. Capital asset thresholds are as follows:

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



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

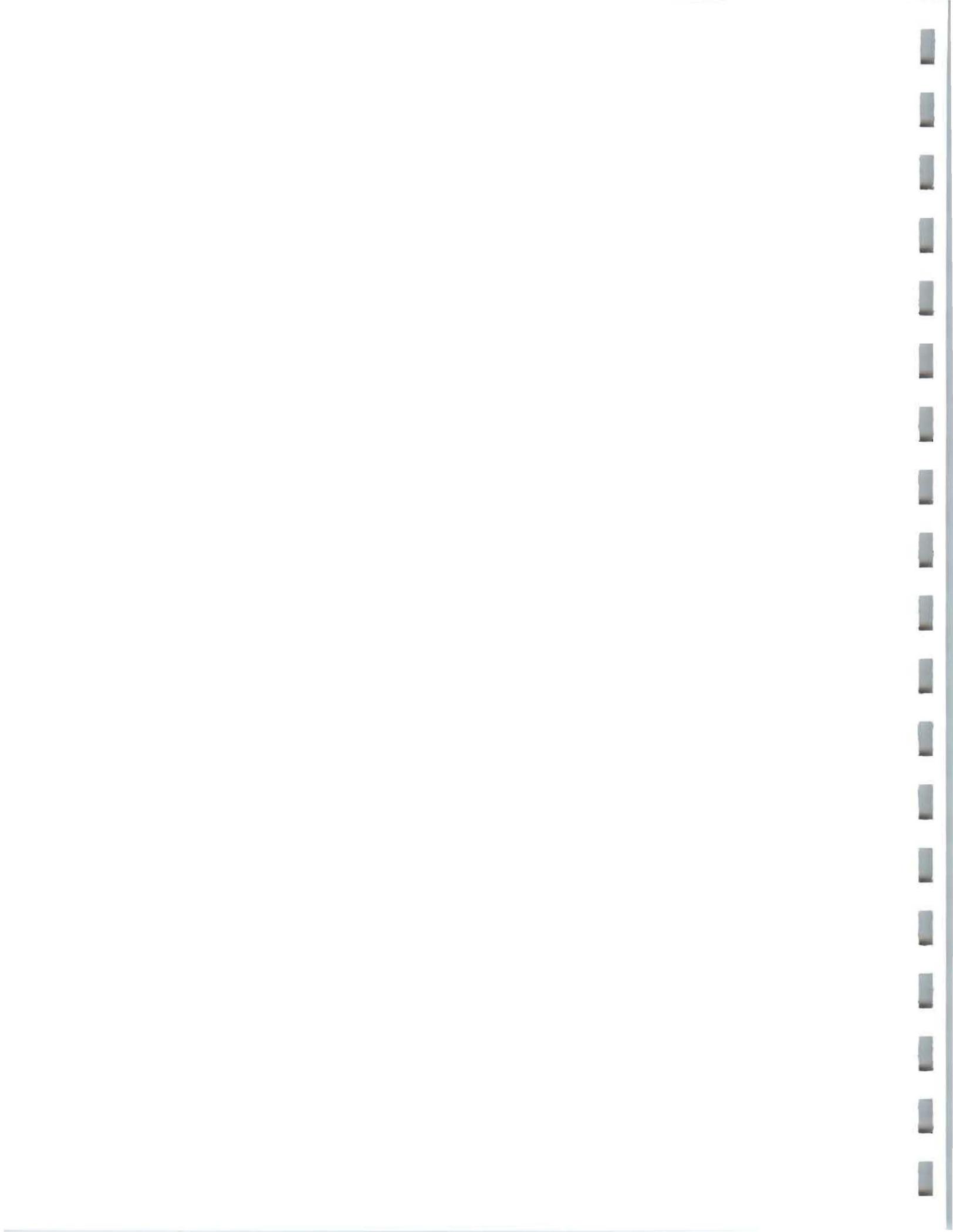
<u>Assets</u>	<u>Useful Life</u>	<u>Salvage Value</u>
Computers	3	1%
Vehicles and equipment	5	10%
Heavy equipment	10	10%
Furniture and fixtures	7	10%
Improvements other than buildings	25	20%
Buildings	40	20%
Infrastructure:		
Roads	20	30%
Concrete bridges	50	0%
Timber bridges	30	0%

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.

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,



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

are not a fund liability. An accrual of \$443,237 has been made in the Statement of Net Position for vacation time at September 30, 2015. 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.

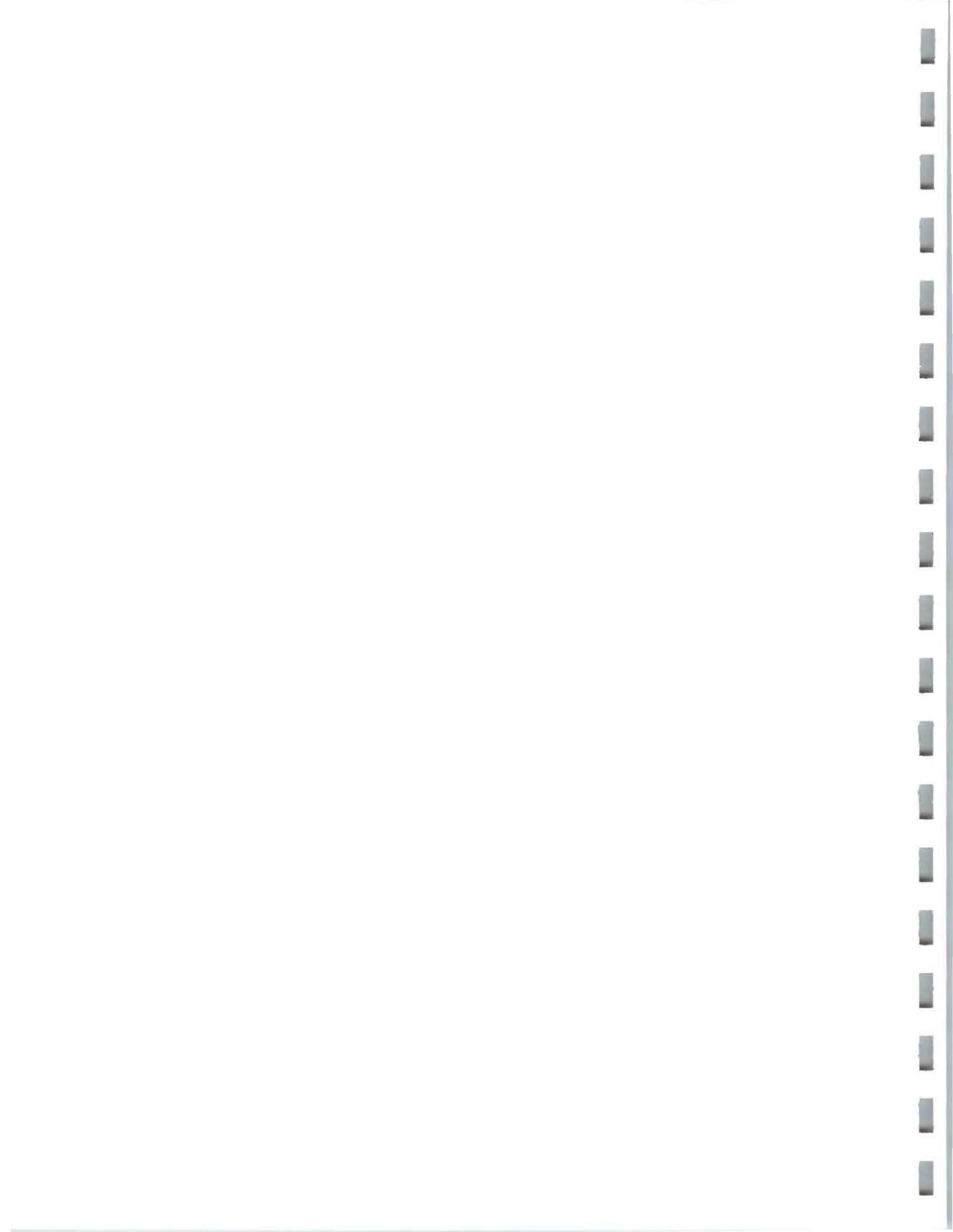
Restricted net position - This component of net position consists of restricted assets plus deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

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.
- 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.



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

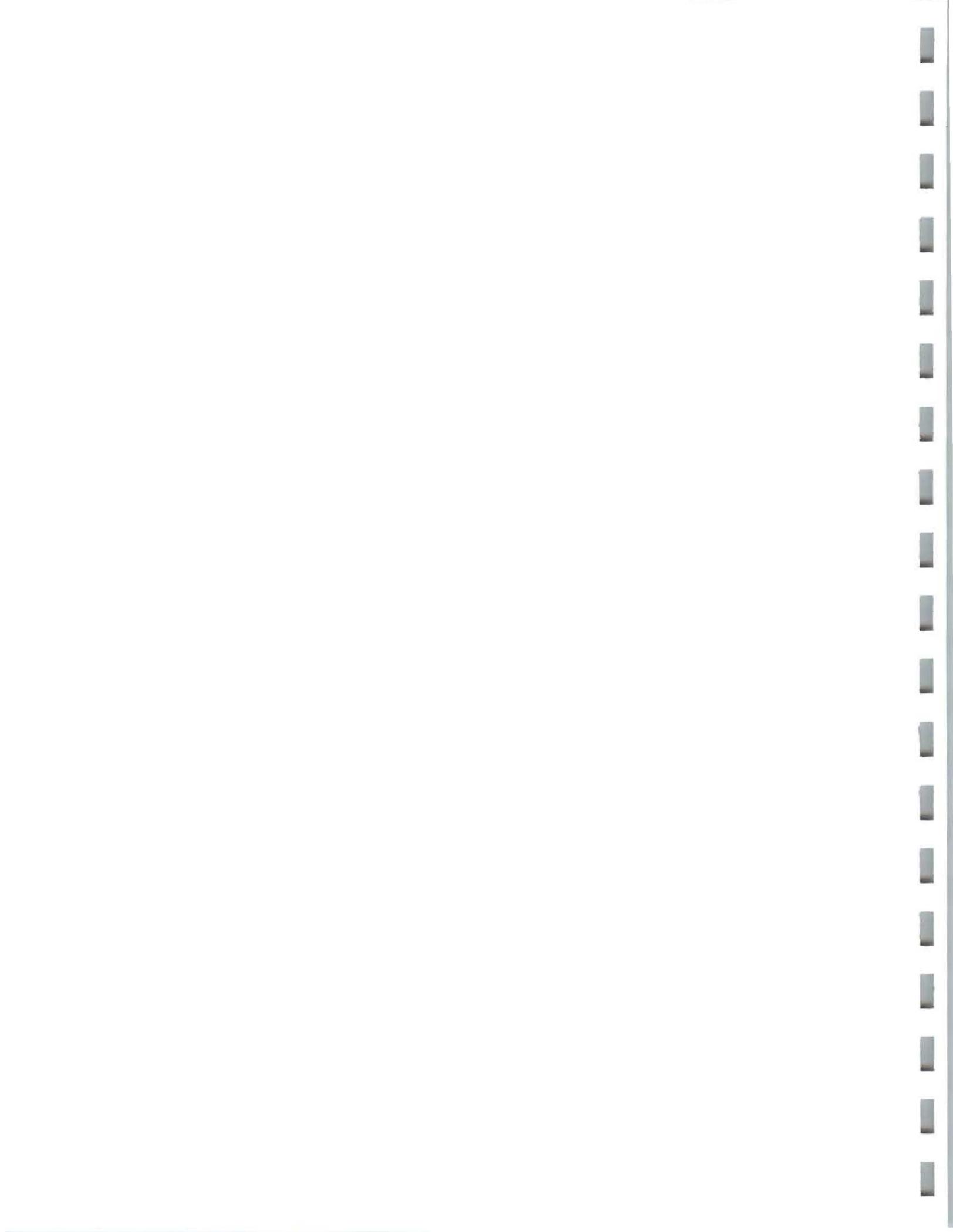
The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use.

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 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.



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 2015 were levied in September 2014 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 2016 property taxes levied in September 2015. The City has recorded deferred inflows for the estimated fiscal year 2016 real and personal property taxes as of September 30, 2015.

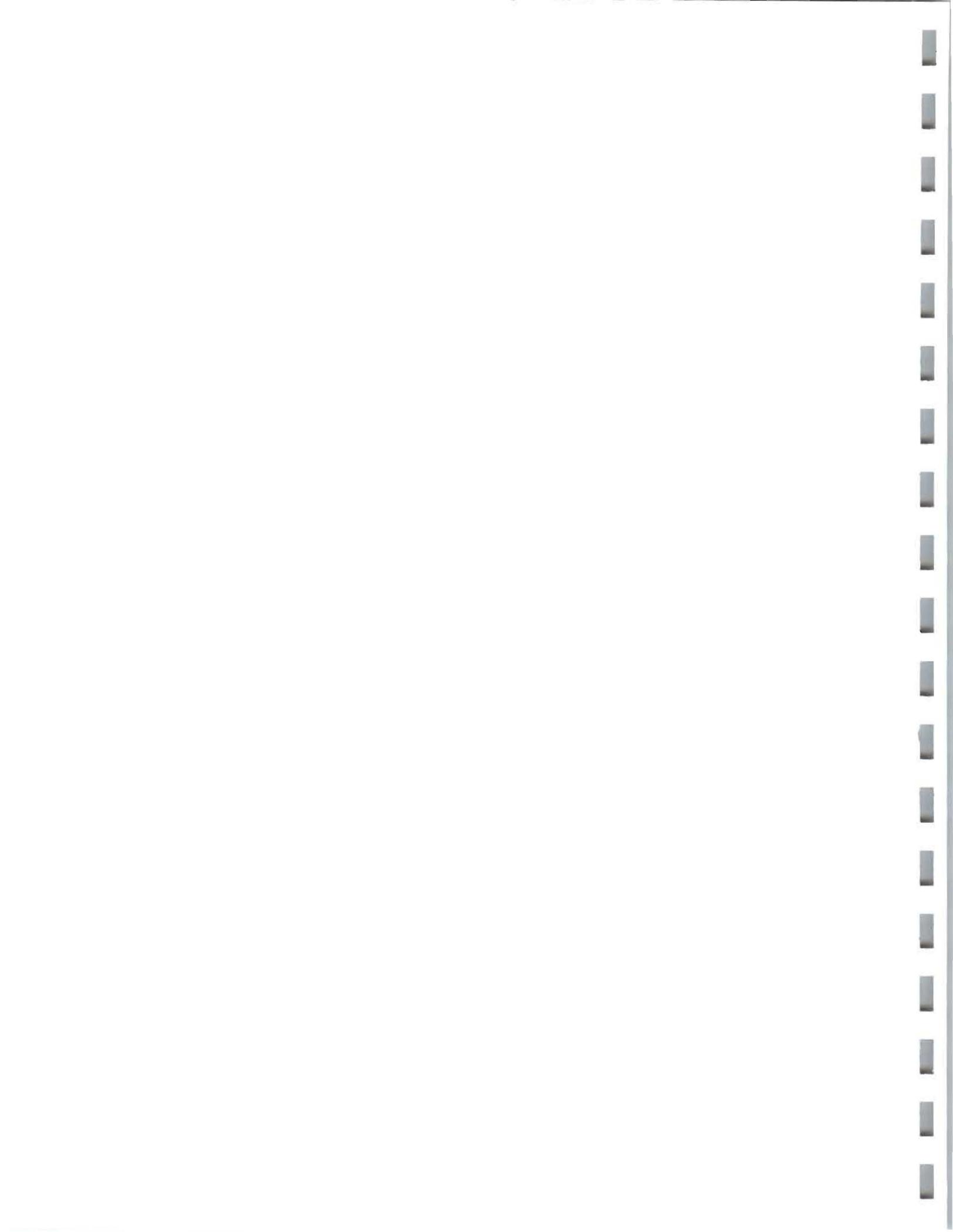
The City levies property taxes annually based upon assessed valuations. The City bills and collects its own public utility taxes. Real, personal property, automobile ad valorem taxes and certain road taxes are collected by the tax collector of Rankin County and are disbursed to the City accordingly. Current collections of real, public utility, and personal property taxes for the year ended September 30, 2015 were approximately 99% of the total tax levy.

The tax rate levied by the City for 2015 was set at 20.0 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 1.315
General Fund - Mississippi Development Bank Loans	0.585
G.O. Road Improvement	<u>0.100</u>
	\$ <u>2.000</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2015:



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

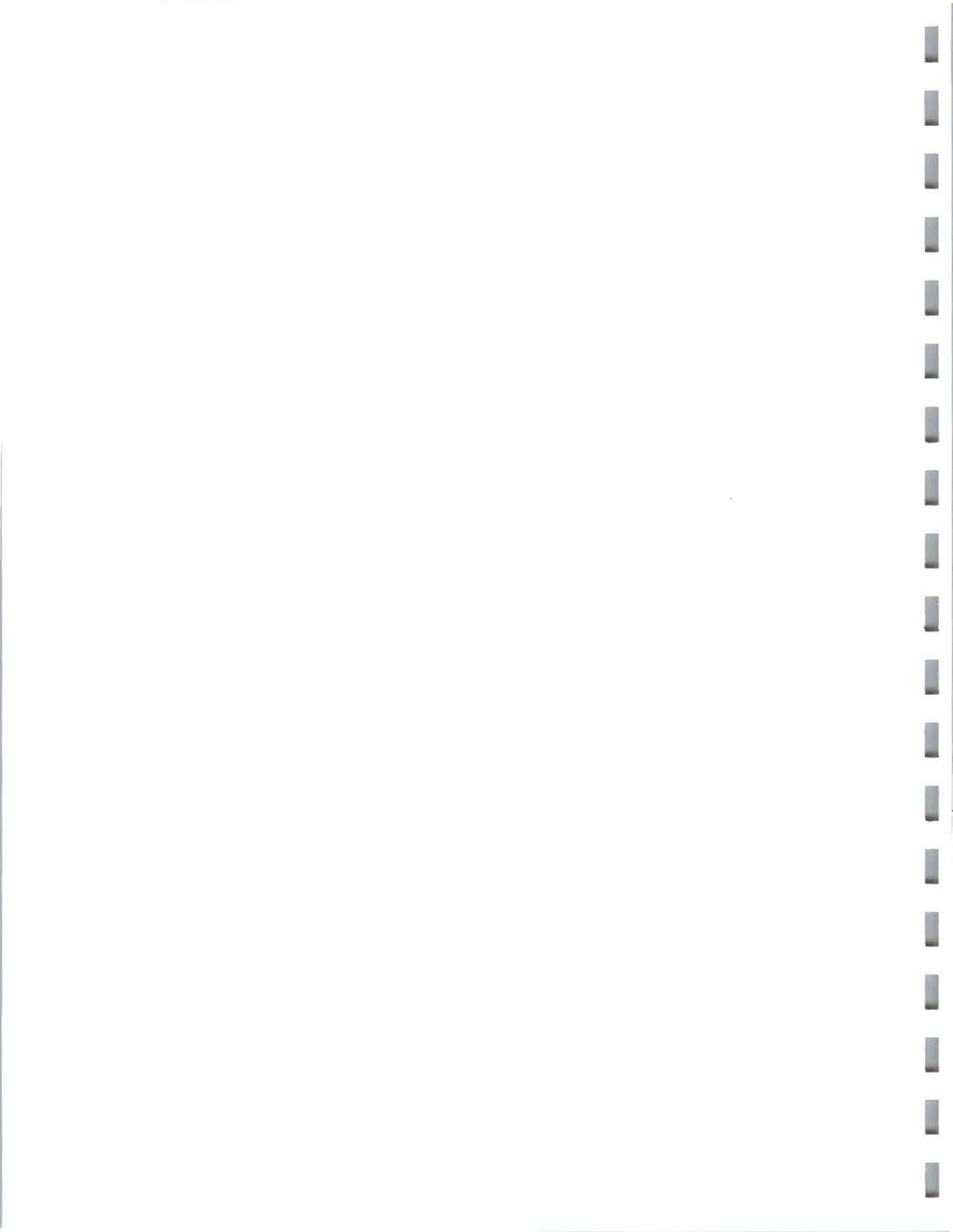
NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 8,520,955	-	-	-	8,520,955
Recreation and tourism special tax fund	-	-	2,028,531	-	2,028,531
City-wide debt service	-	-	2,625,466	-	2,625,466
Nonmajor governmental funds	-	-	556,588	-	556,588
Internal service fund	169,306	-	-	-	169,306
Total governmental activities	<u>8,690,261</u>	<u>-</u>	<u>5,210,585</u>	<u>-</u>	<u>13,900,846</u>
Business-type activities:					
Water and sewer fund	3,254,738	-	1,037,969	-	4,292,707
Golf course fund	88,263	-	-	-	88,263
R/C park fund	18,403	-	-	-	18,403
Total business-type activities	<u>3,361,404</u>	<u>-</u>	<u>1,037,969</u>	<u>-</u>	<u>4,399,373</u>
Government-wide total	<u>\$ 12,051,665</u>	<u>-</u>	<u>6,248,554</u>	<u>-</u>	<u>18,300,219</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, 2015 are summarized as follows:

	Reported <u>Amount</u>	Bank <u>Balance</u>
Cash	\$ 18,300,219	18,717,498
Certificates of deposit	-	-
Total deposits	<u>\$ 18,300,219</u>	<u>18,717,498</u>



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits - continued:

The difference of \$417,279 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, 2015, \$17,717,498 of the City's bank balance of \$18,717,498 was exposed to custodial credit risk as follows:

Guaranty Pool	\$ <u>17,717,498</u>
Total	\$ <u>17,717,498</u>

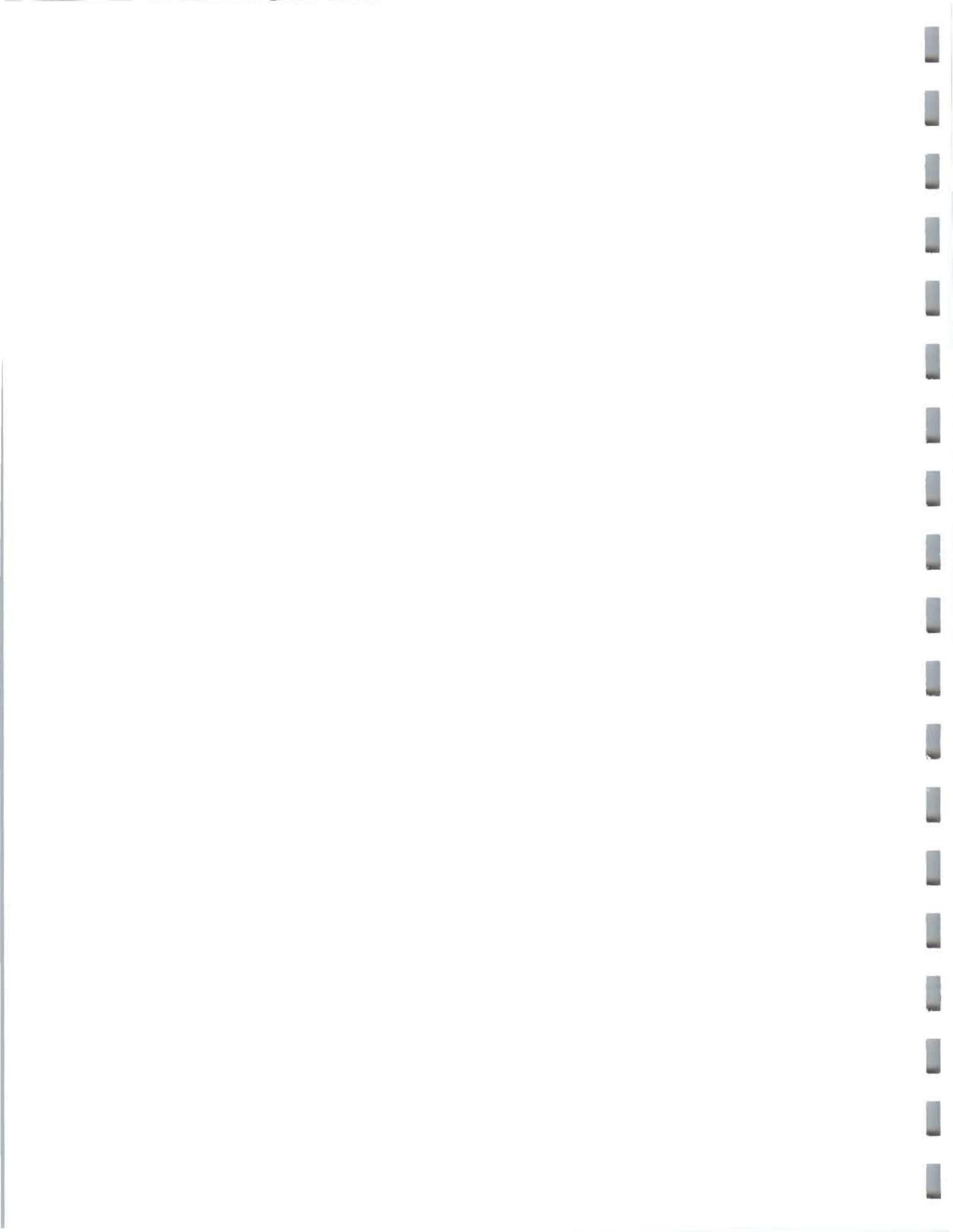
NOTE 4 - RECEIVABLES

Receivables at September 30, 2015 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	\$ 1,721,818	5,465,790	2,413,863	-	-	9,601,471
Recreation and tourism special tax fund	-	228,614	-	-	-	228,614
City-wide debt service fund	-	451,416	1,081,154	6,043,435	-	7,576,005
Other non-major funds	-	-	-	-	17,460	17,460
Gross receivables	<u>1,721,818</u>	<u>6,145,820</u>	<u>3,495,017</u>	<u>6,043,435</u>	<u>17,460</u>	<u>17,423,550</u>
Less: Allowance for uncollectible accounts	<u>(759,840)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(759,840)</u>
Total governmental activities	<u>961,978</u>	<u>6,145,820</u>	<u>3,495,017</u>	<u>6,043,435</u>	<u>17,460</u>	<u>16,663,710</u>
Business-type activities:						
Water and sewer fund	995,892	-	-	-	319,303	1,315,195
Golf course fund	<u>37,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,333</u>
Gross receivables	<u>1,033,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,303</u>	<u>1,352,528</u>
Less: Allowance for uncollectible accounts	<u>(84,181)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,181)</u>
Total business-type activities	<u>949,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,303</u>	<u>1,268,347</u>
Total government-wide	\$ <u>1,911,022</u>	<u>6,145,820</u>	<u>3,495,017</u>	<u>6,043,435</u>	<u>336,763</u>	<u>17,932,057</u>

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CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at September 30, 2015 were as follows:

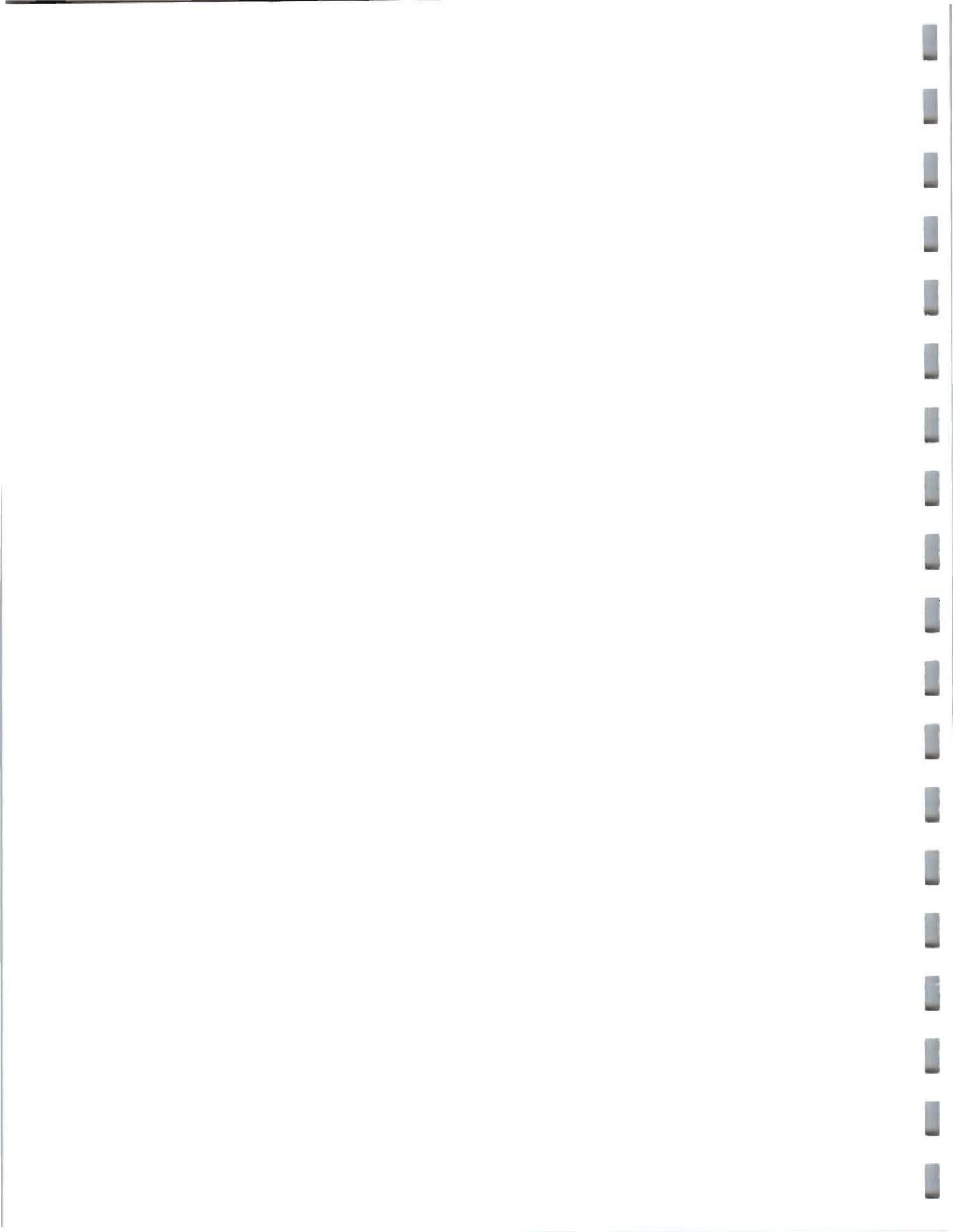
	<u>Rankin County, MS</u>
City-Wide Debt Service Fund - Tax Increment Financing Bonds	\$ <u>6,043,435</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Balance at October 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at September 30, 2015</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 35,885,103	11,963	-	35,897,066
Construction in progress	<u>315,879</u>	<u>994,363</u>	<u>(1,017,831)</u>	<u>292,411</u>
Total	<u>36,200,982</u>	<u>1,006,326</u>	<u>(1,017,831)</u>	<u>36,189,477</u>
Buildings	15,917,908	66,706	-	15,984,614
Improvements other than buildings	17,719,193	1,017,830	-	18,737,023
Machinery and equipment	9,500,521	958,061	(109,213)	10,349,369
Infrastructure	<u>103,942,085</u>	<u>-</u>	<u>-</u>	<u>103,942,085</u>
Total	<u>147,079,707</u>	<u>2,042,597</u>	<u>(109,213)</u>	<u>149,013,091</u>
Total capital assets	<u>183,280,689</u>	<u>3,048,923</u>	<u>(1,127,044)</u>	<u>185,202,568</u>
Less accumulated depreciation for:				
Buildings	(2,223,958)	(265,545)	-	(2,489,503)
Improvements other than buildings	(3,477,898)	(638,829)	-	(4,116,727)
Machinery and equipment	(6,256,858)	(747,011)	98,291	(6,905,578)
Infrastructure	<u>(48,688,262)</u>	<u>(2,546,139)</u>	<u>-</u>	<u>(51,234,401)</u>
Total accumulated depreciation	<u>(60,646,976)</u>	<u>(4,197,524)</u>	<u>98,291</u>	<u>(64,746,209)</u>
Total governmental activities - capital assets, net	\$ <u>122,633,713</u>	<u>(1,148,601)</u>	<u>(1,028,753)</u>	<u>120,456,359</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.



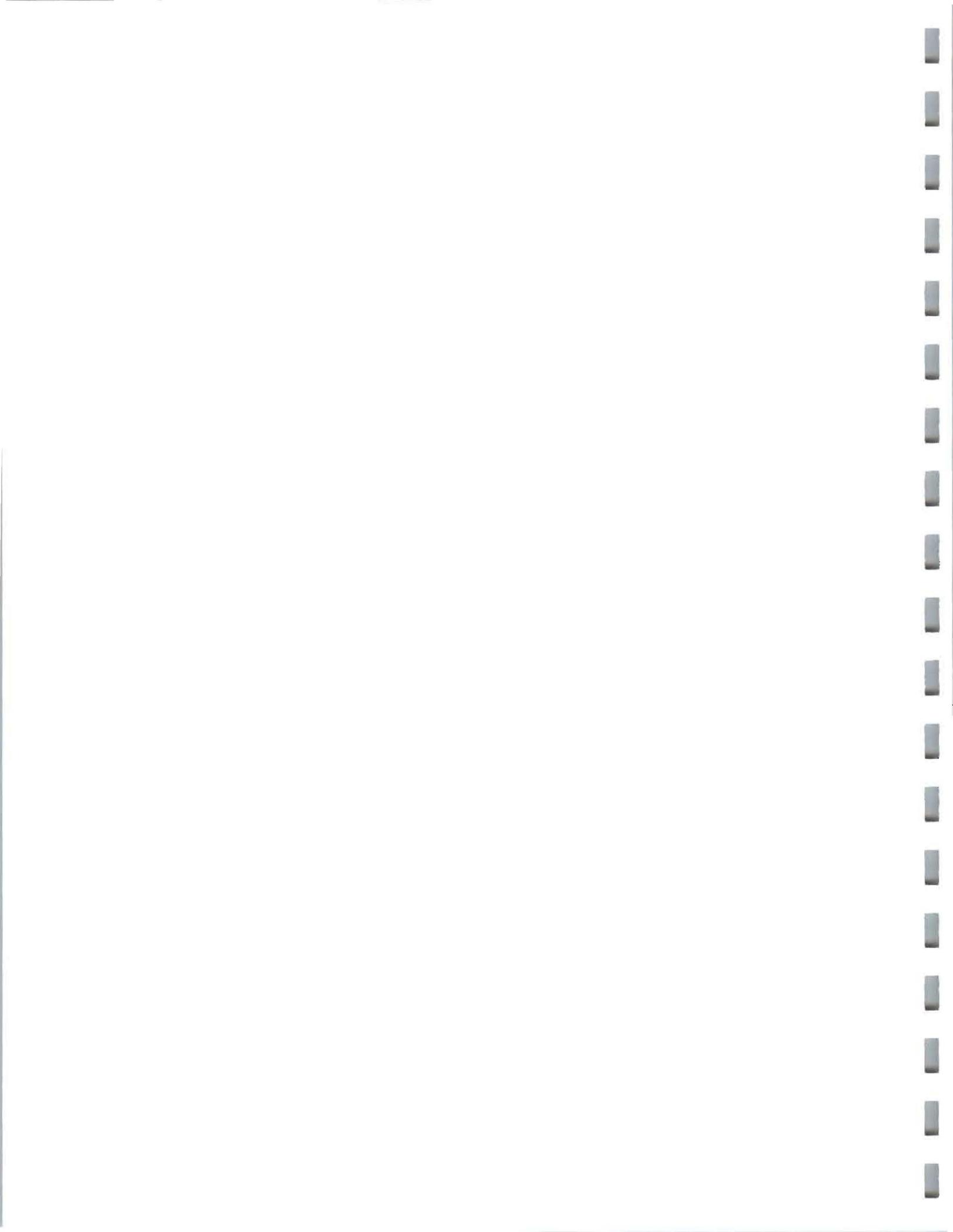
CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - CAPITAL ASSETS - CONTINUED:

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

General government	\$	131,919
Public safety		720,807
Court		2,794
Public property maintenance		133,441
Street maintenance		2,680,344
Recreation		516,776
Shop and maintenance		3,540
Landscape		3,846
Health		1,377
Legal		1,139
Engineering		<u>1,541</u>
Total depreciation expense - governmental activities	\$	<u>4,197,524</u>

	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015
Business-type activities:				
Nondepreciable assets:				
Land	\$ 738,136	28,672	-	766,808
Construction in progress	<u>1,445,672</u>	<u>1,682,997</u>	<u>(2,721,330)</u>	<u>407,339</u>
Total	<u>2,183,808</u>	<u>1,711,669</u>	<u>(2,721,330)</u>	<u>1,174,147</u>
Depreciable assets:				
Machinery and equipment	1,310,033	7,584	-	1,317,617
Water distribution systems	57,766,448	2,997,300	-	60,763,748
Golf course facilities	4,331,464	52,497	-	4,383,961
R/C park facilities	<u>49,683</u>	<u>-</u>	<u>-</u>	<u>49,683</u>
Total	<u>63,457,628</u>	<u>3,057,381</u>	<u>-</u>	<u>66,515,009</u>
Total capital assets	<u>65,641,436</u>	<u>4,769,050</u>	<u>(2,721,330)</u>	<u>67,689,156</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,150,504)	(42,724)	-	(1,193,228)
Water distribution systems	(18,125,678)	(1,728,640)	-	(19,854,318)
Golf course facilities	(3,797,257)	(27,798)	-	(3,825,055)
R/C park facilities	<u>(4,770)</u>	<u>(1,589)</u>	<u>-</u>	<u>(6,359)</u>
Total accumulated depreciation	<u>(23,078,209)</u>	<u>(1,800,751)</u>	<u>-</u>	<u>(24,878,960)</u>
Total business-type activities - capital assets, net	\$ <u>42,563,227</u>	<u>2,968,299</u>	<u>(2,721,330)</u>	<u>42,810,196</u>



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - CAPITAL ASSETS - CONTINUED:

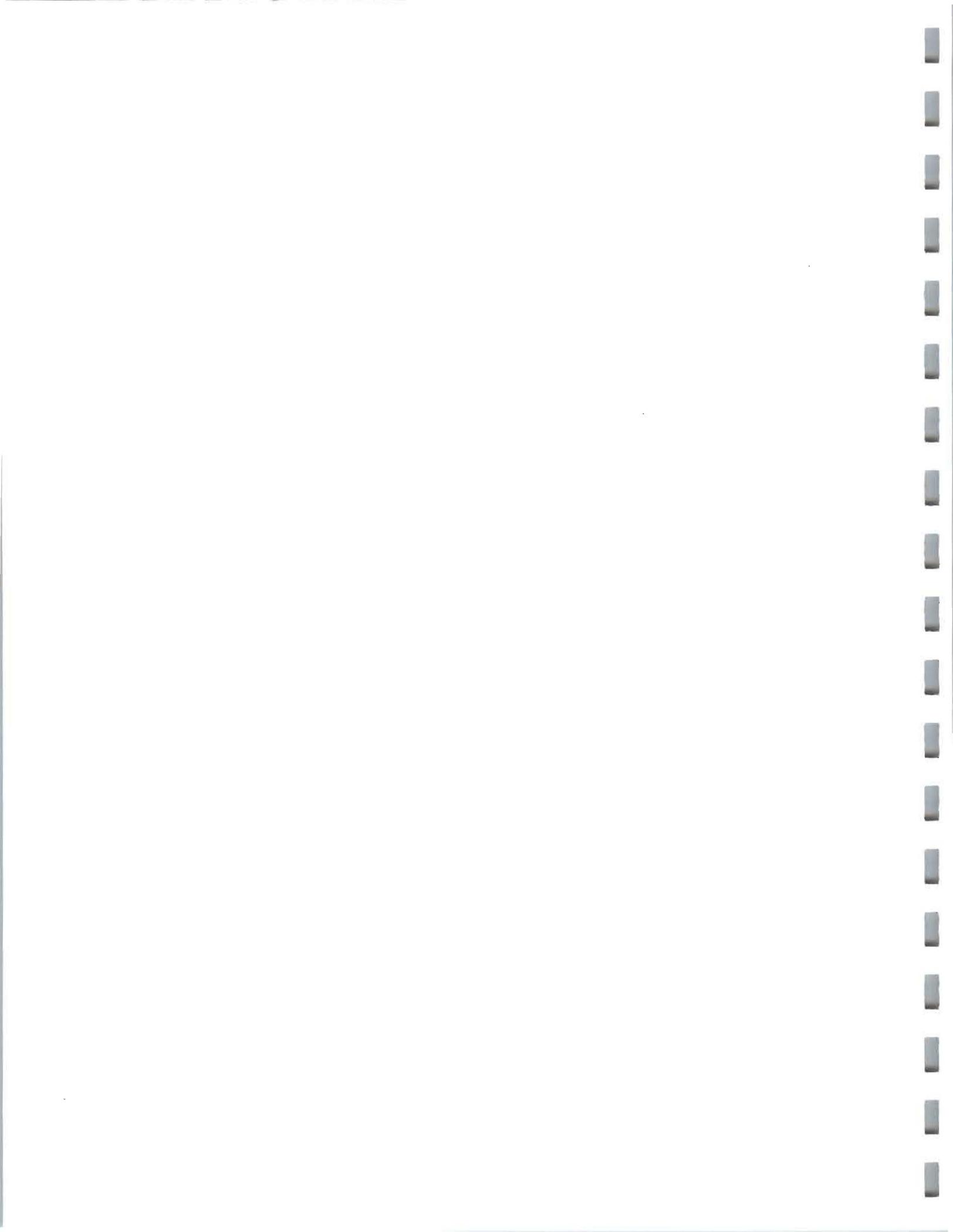
Depreciation expense for business-type activities is charged to functions as follows:

Golf course	\$	27,798
Water and sewer		1,771,364
R/C park facilities		<u>1,589</u>
 Total depreciation expense - business-type activities	 \$	 <u>1,800,751</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, 2015:

	Beginning Balance October 1, 2014	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2015	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,655,000	14,876,045	690,000	25,841,045	1,646,473
General obligation premium	-	824,116	54,941	769,175	54,941
Limited obligation bonds	11,566,000	-	7,811,500	3,754,500	248,500
Limited obligation discount	(57,830)	-	(3,615)	(54,215)	(3,615)
Notes	20,622,772	-	8,690,462	11,932,310	843,461
Notes premium	250,827	-	14,739	236,088	14,739
Capital lease obligations	71,980	370,105	71,980	370,105	120,740
Compensated absences	<u>379,125</u>	<u>17,332</u>	<u>-</u>	<u>396,457</u>	<u>46,932</u>
Government activities total	<u>44,487,874</u>	<u>16,087,598</u>	<u>17,330,007</u>	<u>43,245,465</u>	<u>2,972,171</u>
Business-type activities:					
Revenue bonds	7,420,000	-	650,000	6,770,000	665,000
General obligation bonds	-	1,618,955	-	1,618,955	68,527
General obligation premium	-	52,213	3,481	48,732	3,481
Notes	11,881,396	-	2,205,206	9,676,190	450,989
Notes premium	135,768	-	7,909	127,859	7,909
Compensated absences	<u>32,989</u>	<u>13,791</u>	<u>-</u>	<u>46,780</u>	<u>4,527</u>
Business-type activities total	<u>19,470,153</u>	<u>1,684,959</u>	<u>2,866,596</u>	<u>18,288,516</u>	<u>1,200,433</u>
Government-wide total	\$ <u>63,958,027</u>	<u>17,772,557</u>	<u>20,196,603</u>	<u>61,533,981</u>	<u>4,172,604</u>



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2015 were as follows:

Fiscal Year Ending September 30,	<u>Governmental Activities</u>							
	General Obligation Bonds		Limited Obligation Bonds		Notes and Leases Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,701,414	852,612	244,885	162,956	978,940	445,448	2,925,239	1,461,016
2017	1,749,701	805,558	252,385	153,498	1,008,775	422,211	3,010,861	1,381,267
2018	1,768,844	753,125	264,885	143,425	1,036,723	396,605	3,070,452	1,293,155
2019	1,844,561	696,255	277,385	132,296	937,933	369,141	3,059,879	1,197,692
2020	2,007,468	636,881	289,885	120,647	528,215	338,398	2,825,568	1,095,926
2021-2025	10,502,479	2,169,117	1,503,925	412,402	2,888,644	1,437,053	14,895,048	4,018,572
2026-2030	7,035,753	612,359	866,935	97,565	3,542,715	789,588	11,445,403	1,499,512
2031-2035	-	-	-	-	1,616,558	99,727	1,616,558	99,727
	\$ <u>26,610,220</u>	<u>6,525,907</u>	<u>3,700,285</u>	<u>1,222,789</u>	<u>12,538,503</u>	<u>4,298,171</u>	<u>42,849,008</u>	<u>12,046,867</u>

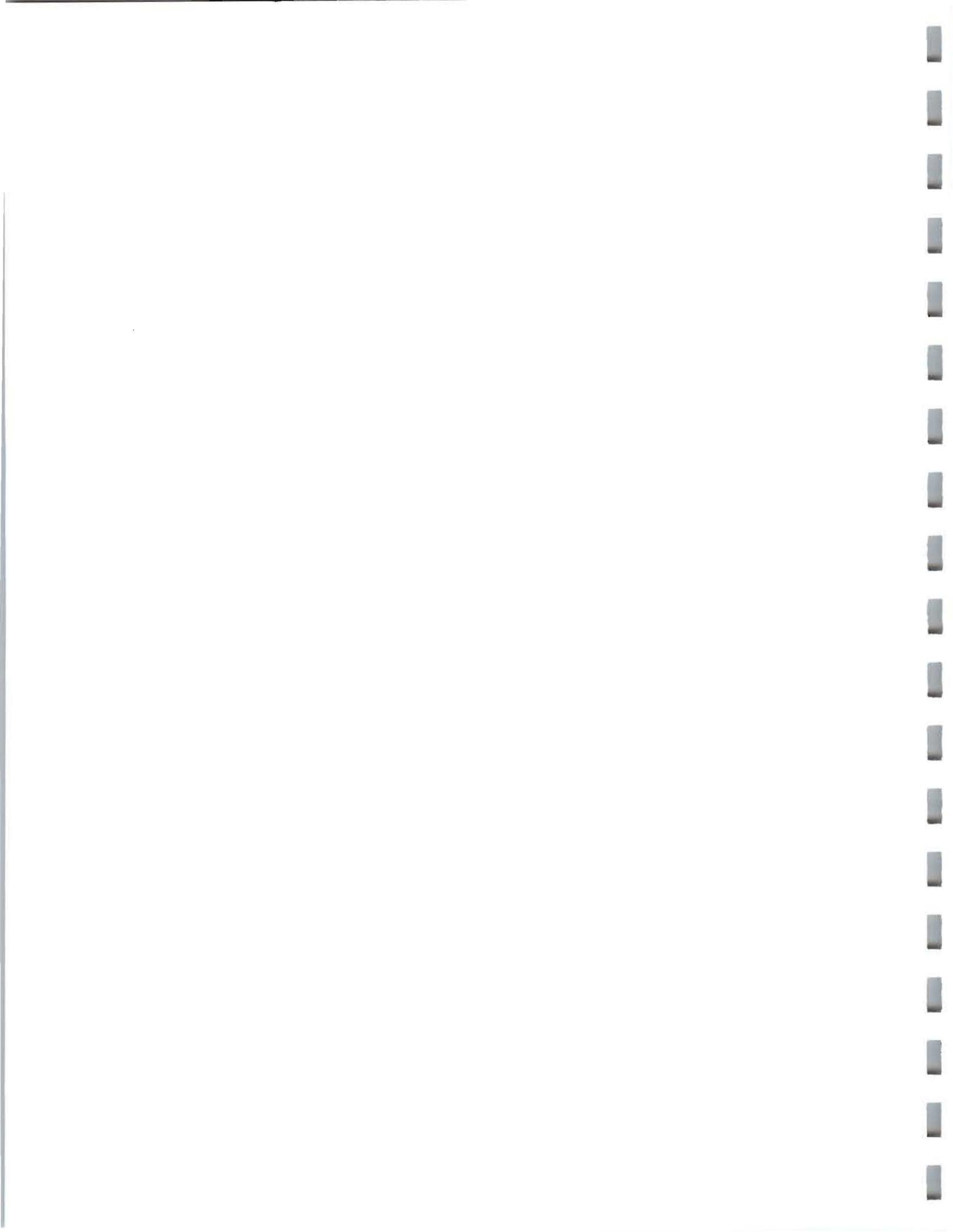
Fiscal Year Ending September 30,	<u>Business-Type Activities</u>							
	General Obligation Bonds		Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 72,008	54,629	665,000	261,928	458,898	304,199	1,195,906	620,756
2017	73,721	53,241	695,000	244,128	469,595	293,988	1,238,316	591,357
2018	74,578	51,472	720,000	223,703	482,289	282,781	1,276,867	557,956
2019	78,861	49,275	750,000	200,153	493,095	271,250	1,321,956	520,678
2020	155,954	45,858	775,000	175,753	505,900	258,660	1,436,854	480,271
2021-2025	774,631	144,965	3,165,000	295,667	2,735,256	1,082,859	6,674,887	1,523,491
2026-2030	437,934	30,326	-	-	3,237,340	584,975	3,675,274	615,301
2031-2035	-	-	-	-	1,421,676	71,214	1,421,676	71,214
	\$ <u>1,667,687</u>	<u>429,766</u>	<u>6,770,000</u>	<u>1,401,332</u>	<u>9,804,049</u>	<u>3,149,926</u>	<u>18,241,736</u>	<u>4,981,024</u>

Bonds and notes payable at September 30, 2015 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. \$ 940,000

\$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. 8,750,000



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

General Obligation Bonds - continued:

\$1,540,000 Special Assessment Bonds Series 2009 due in annual installments of \$50,000 to \$115,000 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. \$ 1,275,000

\$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 \$817,907 at September 30, 2015; and interest at 2.00% to 4.00%, payable on 4-1 and 10-1 of each year.

General Fund	\$ 8,600,220	
Water & Sewer Enterprise Fund	<u>1,667,687</u>	10,267,907

\$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. The refunding was undertaken to reduce total debt service payments over the next eleven years by \$1,998,072. 5,200,000

\$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. The refunding was undertaken to reduce total debt service payments over the next eleven years by \$900,188. 1,845,000

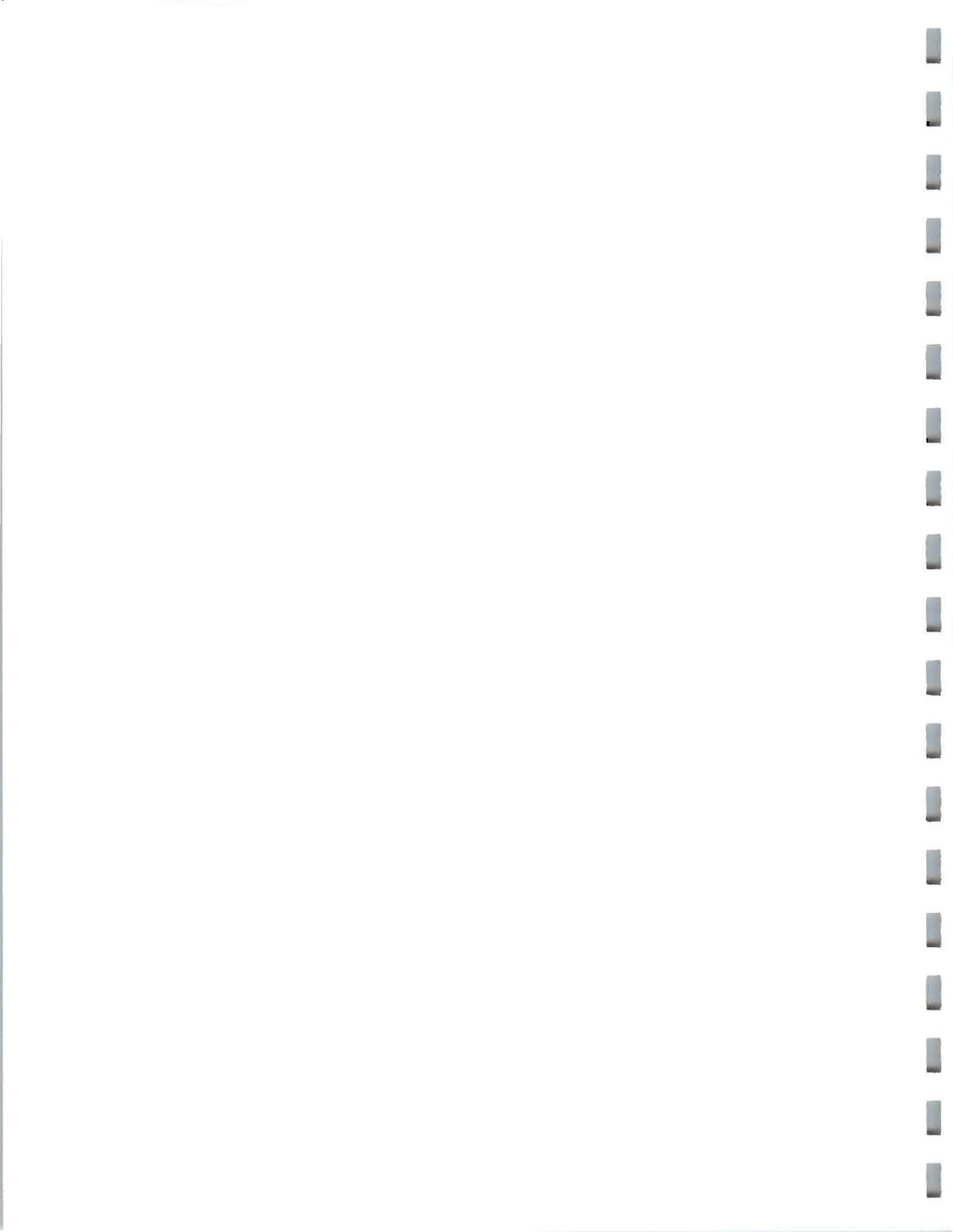
\$ 28,277,907

Revenue Bonds:

\$4,255,000 Mississippi Development Bank Special Obligation Bonds, Series 2007, due in annual installments beginning 11-1-2008 with the annual principal payments increasing to a final payment of \$305,000 due 11-1-2024; and interest at 4.00% to 4.375%, payable on 5-1 and 11-1 of each year. \$ 2,815,000

\$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. 3,955,000

\$ 6,770,000



CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds:

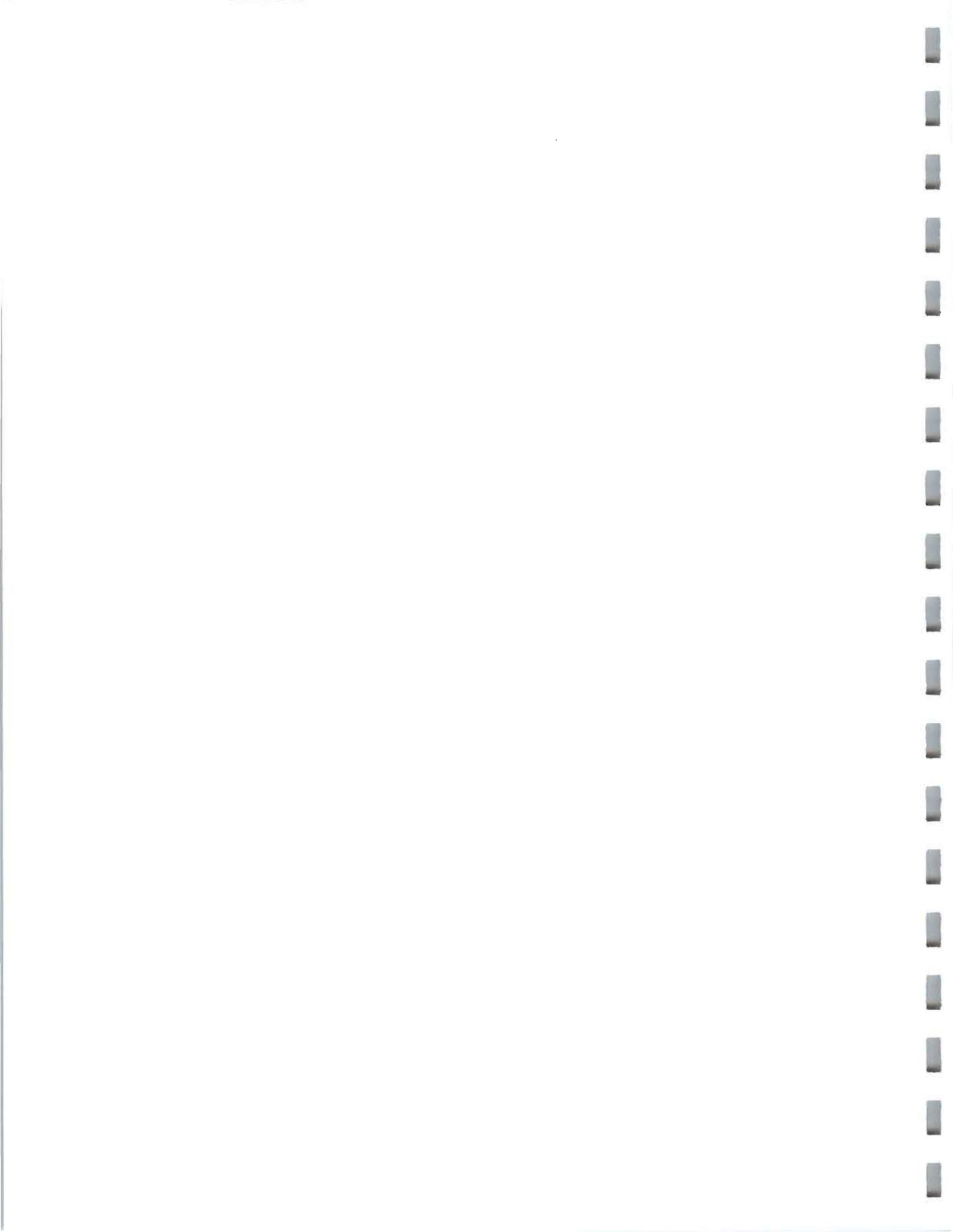
\$380,000 2001 Tax Increment Financing Bond due in annual installments of \$5,000 to \$36,000, payable on 4-1-2007 through 4-1-2021; and interest at 4.52%, payable on 10-1 and 4-1 of each year beginning with 10-1-2006 and ending with 4-1-2021. \$ 193,500

\$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. 1,160,000

\$320,000 Tax Increment Financing Bond due in annual installments of \$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. 241,000

\$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 \$54,215 at September 30, 2015. 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. 2,105,785

\$ 3,700,285



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

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.

\$ 899,955

\$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.

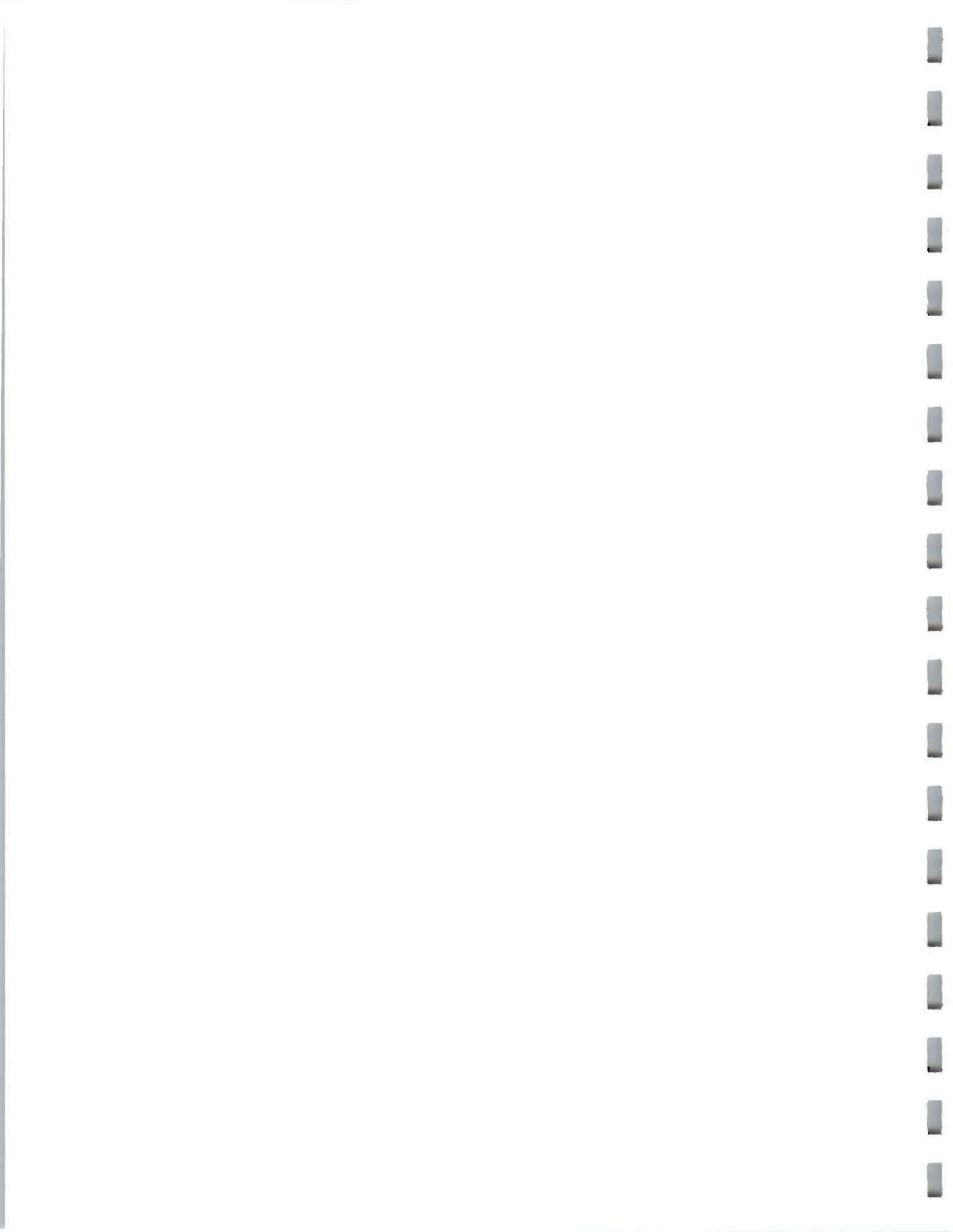
1,620,000

\$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.

2,218,552

\$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. 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 \$363,947 at September 30, 2015:

General Fund	\$ 10,548,398	
Water & Sewer Enterprise Fund	<u>6,685,542</u>	<u>17,233,940</u>
		\$ <u>21,972,447</u>



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Capital Lease Obligations

The City has entered into a lease agreement for financing the acquisition of ten police vehicles. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The ten vehicles purchased under the capital lease total \$370,105, and are included in the capital assets of the City. The amortization of the vehicles has been included in the City's depreciation expense. Obligations of the City's governmental activities under capital leases at September 30, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2016	\$ 120,740	7,998	128,738
2017	123,350	5,390	128,740
2018	<u>126,015</u>	<u>2,723</u>	<u>128,738</u>
Total lease payments	\$ <u>370,105</u>	<u>16,111</u>	<u>386,216</u>

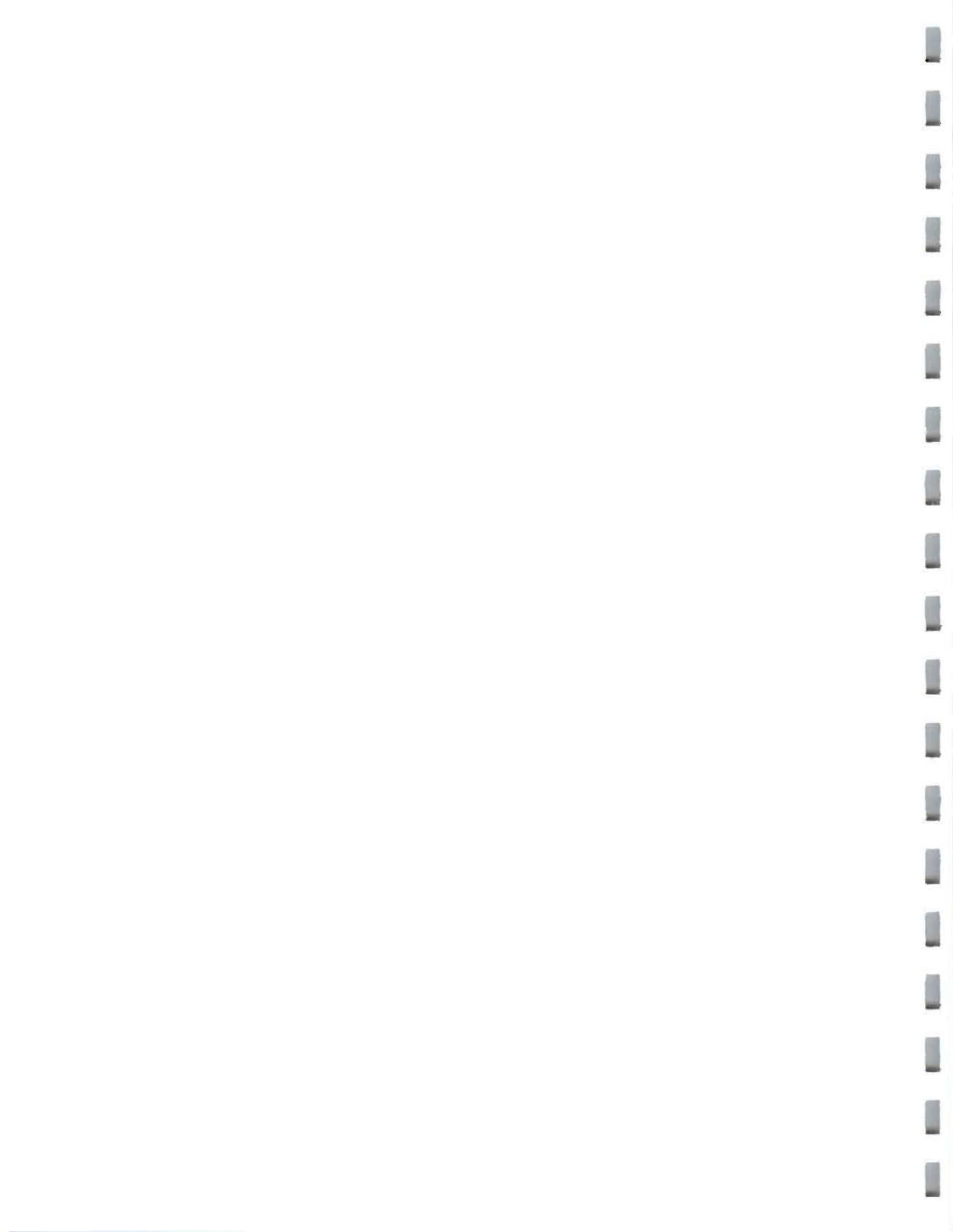
There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Advance Refunding

During fiscal year 2015, the City issued \$9,450,000 General Obligation Refunding Bonds, Series 2014. Of the proceeds, \$6,189,817 has been 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 reacquisition price exceeded the net carrying amount of the old debt by \$824,826. This amount is presented as a deferred outflow of resources and is amortized over the life of the refunded debt, which is the same as the original debt. This advance refunding was undertaken to reduce debt service payments over the next fourteen years by \$826,584 and resulted in an economic gain of \$722,125.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2015:



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES - CONTINUED:

Advances

Advances to/from other funds at September 30, 2015 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Nonmajor Funds	\$ 17,460
	City-Wide Debt Service	285,895
	Water and Sewer Enterprise Fund	12,852
	R/C Track Fund	122,361
	Golf Course Enterprise Fund	24,259
City-Wide Capital Projects	Recreation and Tourism	28,982
Recreational and Tourism	General Fund	<u>5,702</u>
		<u>\$ 497,511</u>

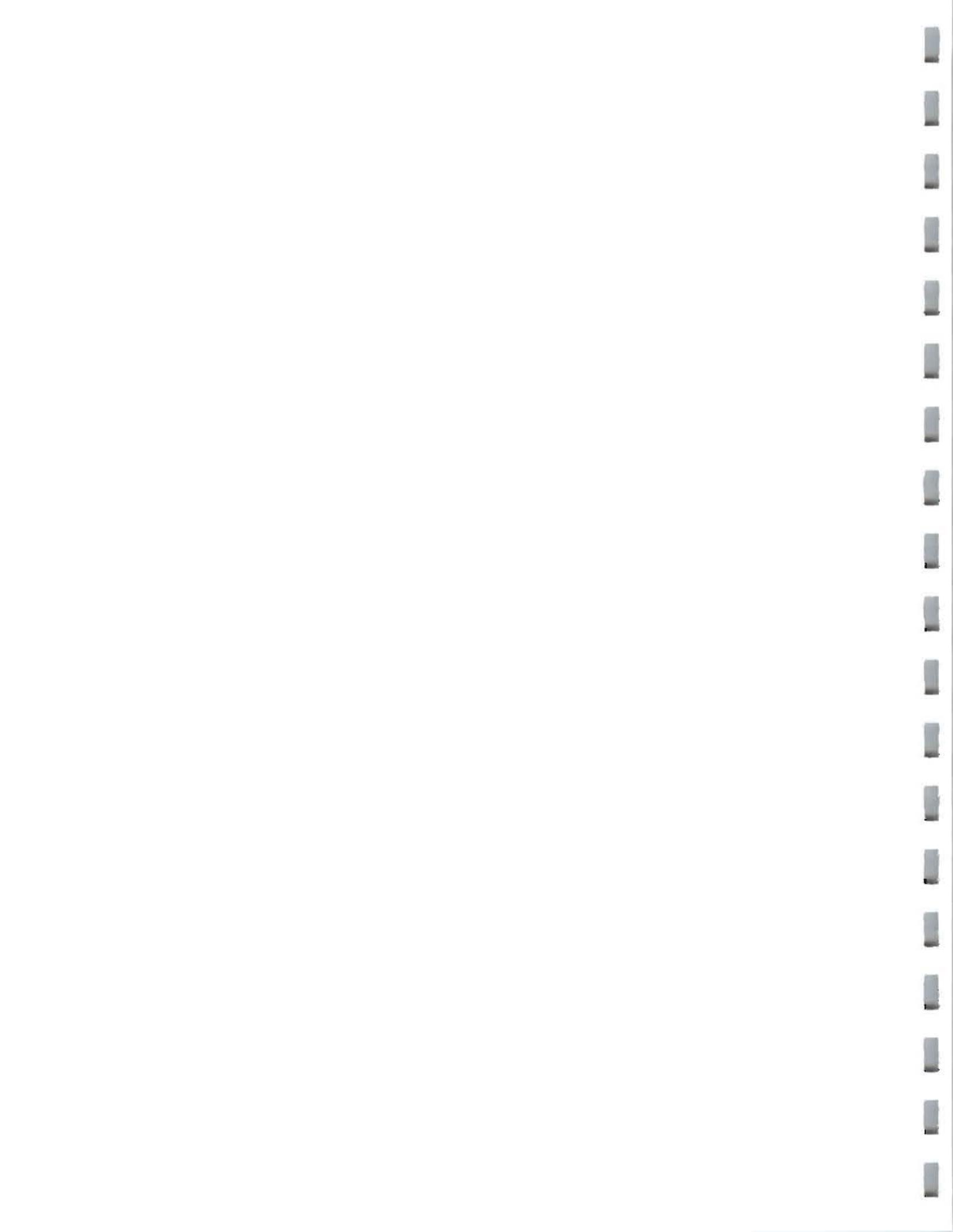
The above interfund balances resulted from the time lag between the dates that reimbursable expenses occur and payments between the funds are made. The balances are expected to be paid within one year.

Transfers

Operating transfer in/out from other funds at September 30, 2015 are as follows:

City-Wide Debt Service	General Fund	\$ 2,324,499
	Recreational and Tourism	300,000
Golf Course Enterprise Fund	Recreational and Tourism	575,000
City-Wide Capital Projects	General Fund	40,787
	Recreational and Tourism	965,227
R/C Track Fund	Recreational and Tourism	19,000
Other Nonmajor Funds	General Fund	<u>67,755</u>
		<u>\$ 4,292,268</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.



CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

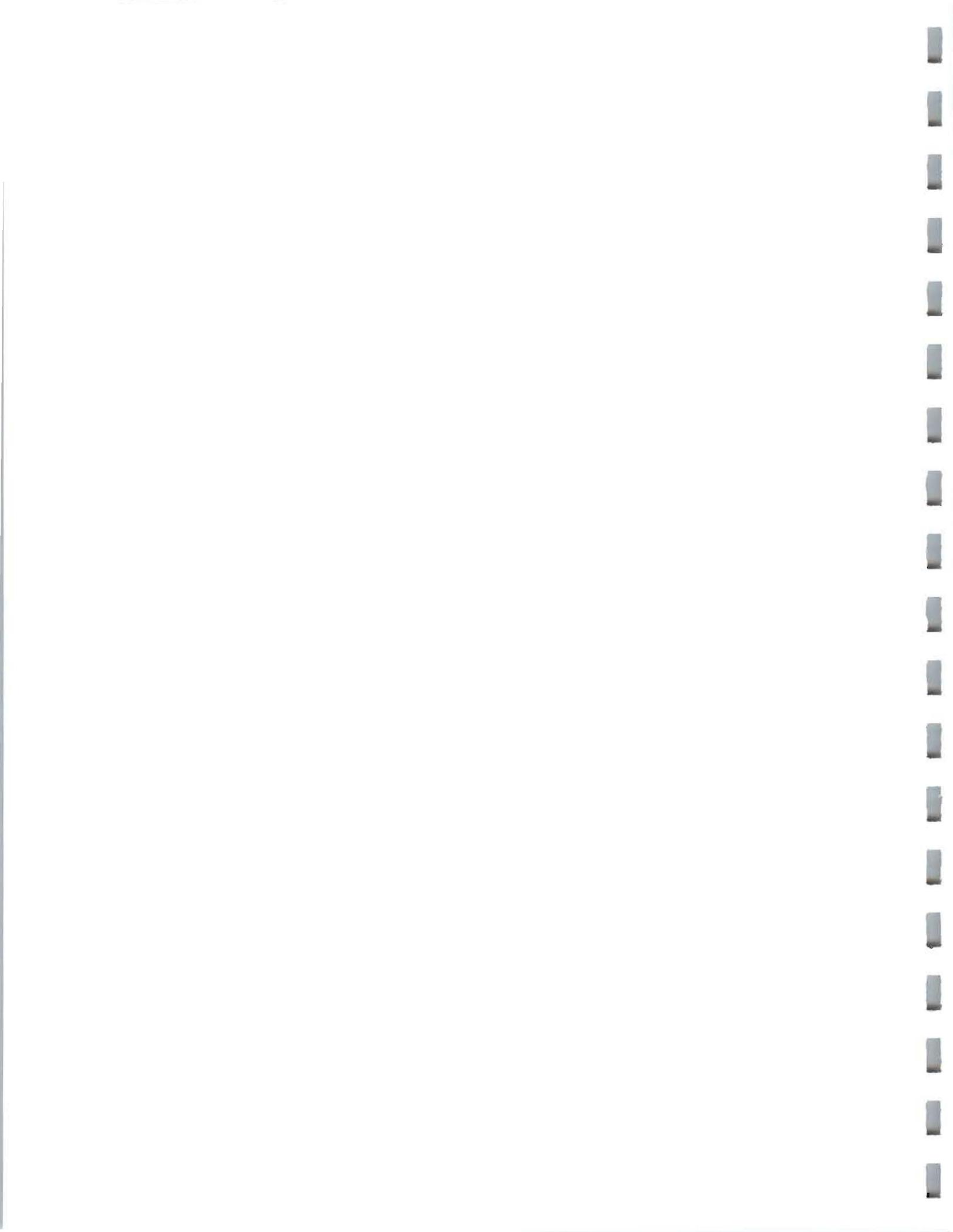
The City has pending legal claims incurred in the normal course of operations that in the opinion of City Officials can be disposed of without material adverse effect on the financial position or results of operations of the City.

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



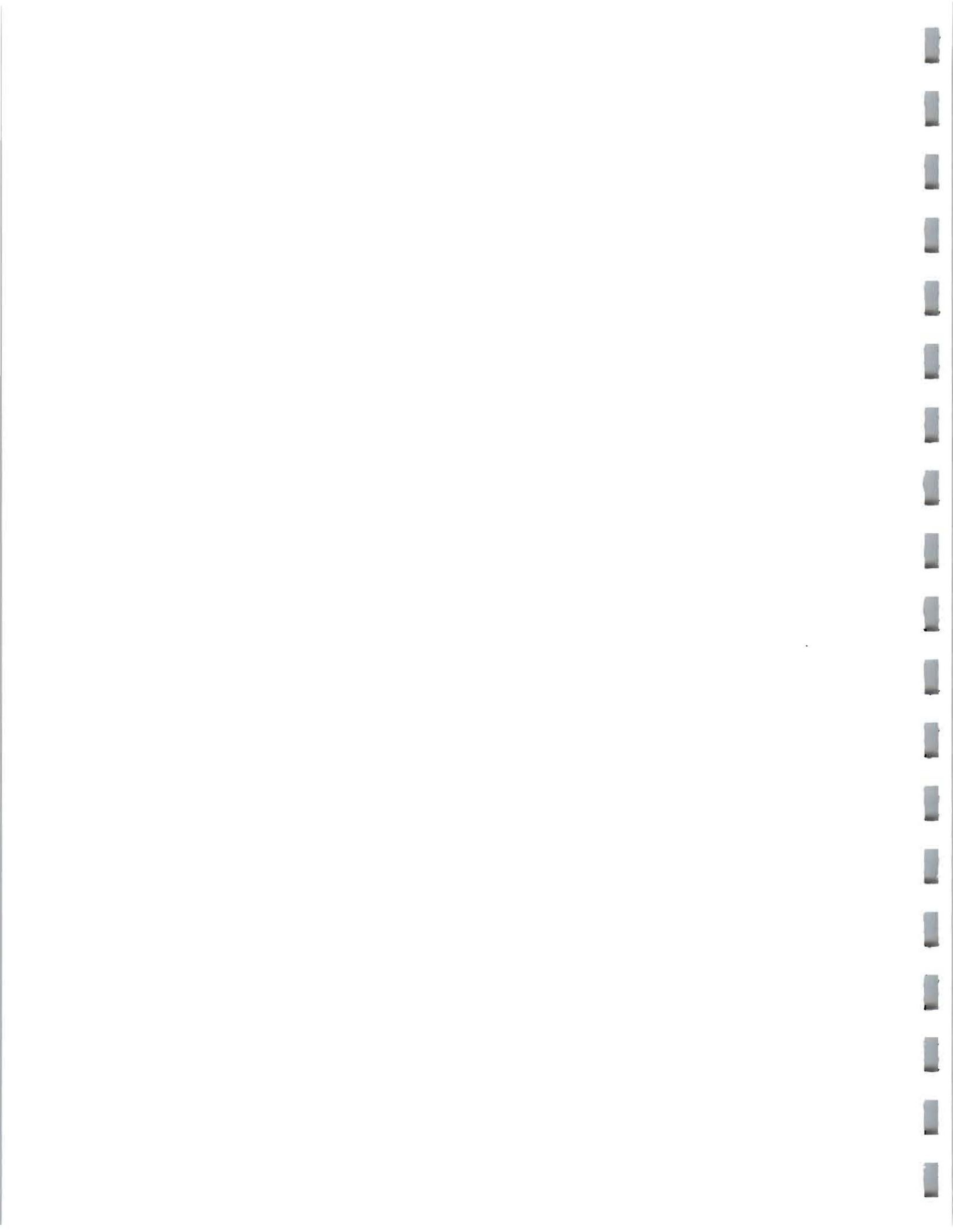
CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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 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, 2015, the City's total payroll for all employees was \$9,364,466. Total covered payroll was \$9,335,386. 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, 2015 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, 2015, 2014 and 2013 were \$1,470,323, \$1,515,959 and \$1,370,767, respectively, which equaled the required contributions for each year.



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

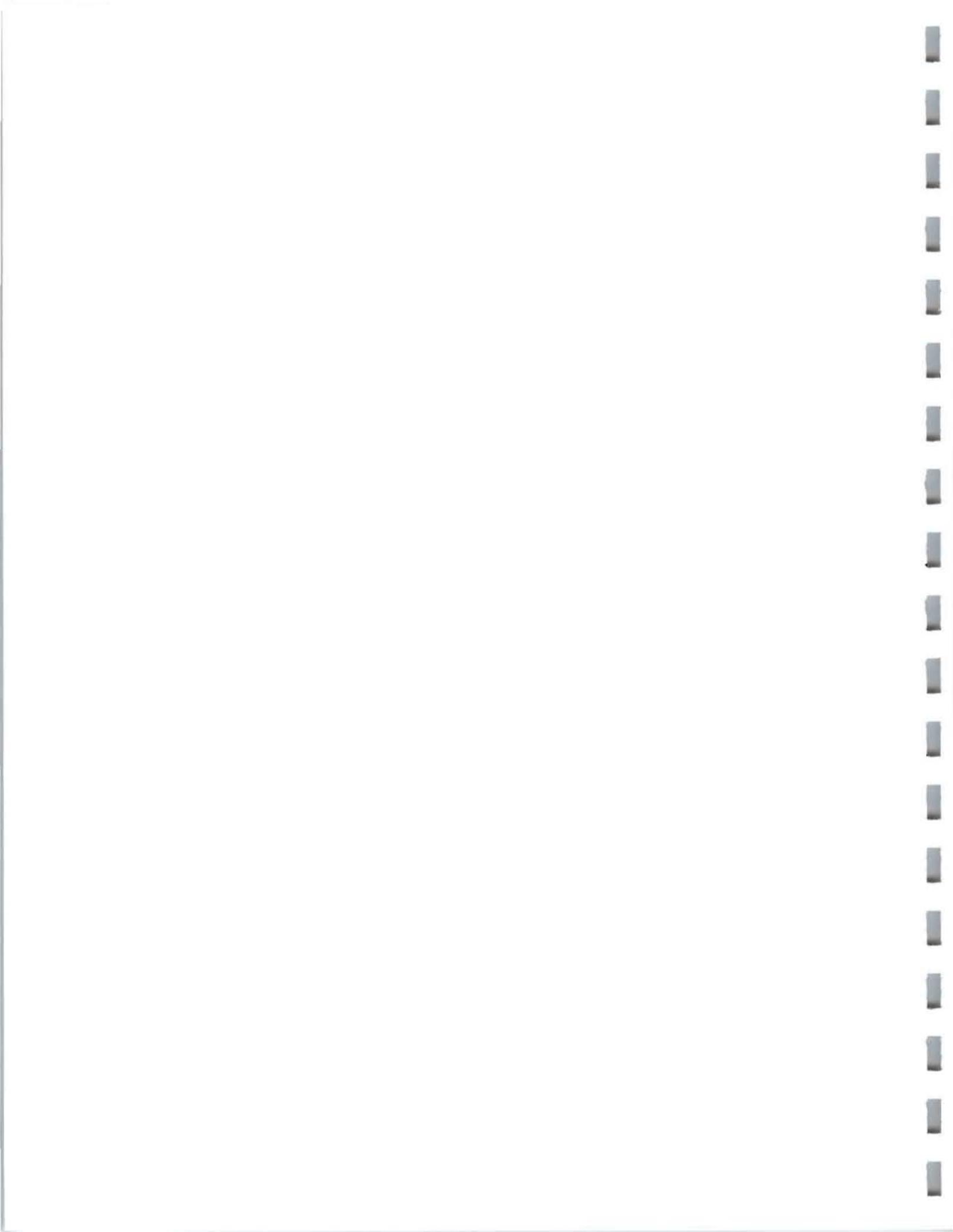
Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$23,140,668 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.1497 percent, which was a decrease of 0.0070 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$2,621,850. At September 30, 2015, 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 results	\$ 356,123	-
Changes in assumptions	1,993,489	-
Net difference between projected and actual earnings on Plan investments	1,353,977	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	621,266
City contributions subsequent to the measurement date	<u>366,825</u>	-
Total	\$ <u>4,070,414</u>	<u>621,266</u>

The \$366,825 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Year Ending September 30,		
2016	\$	973,916
2017		973,916
2018		795,998
2019		<u>338,493</u>
Total	\$	<u>3,082,323</u>

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

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of Plan investment expense, including inflation

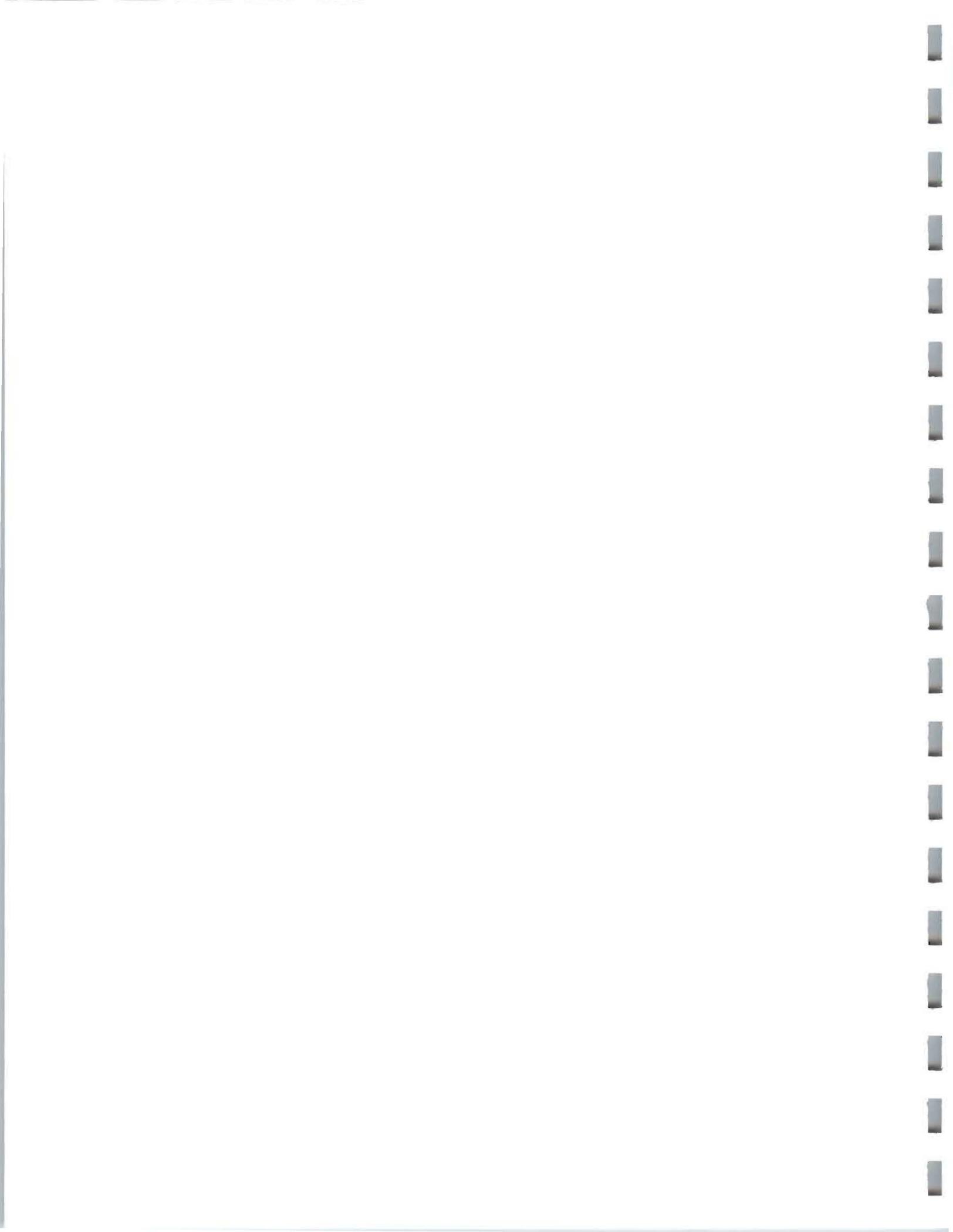
The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2014. As a result of the experience report which is dated May 4, 2015, the Board of Trustees adopted changes in assumptions for PERS since the last Measurement Date.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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:

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CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

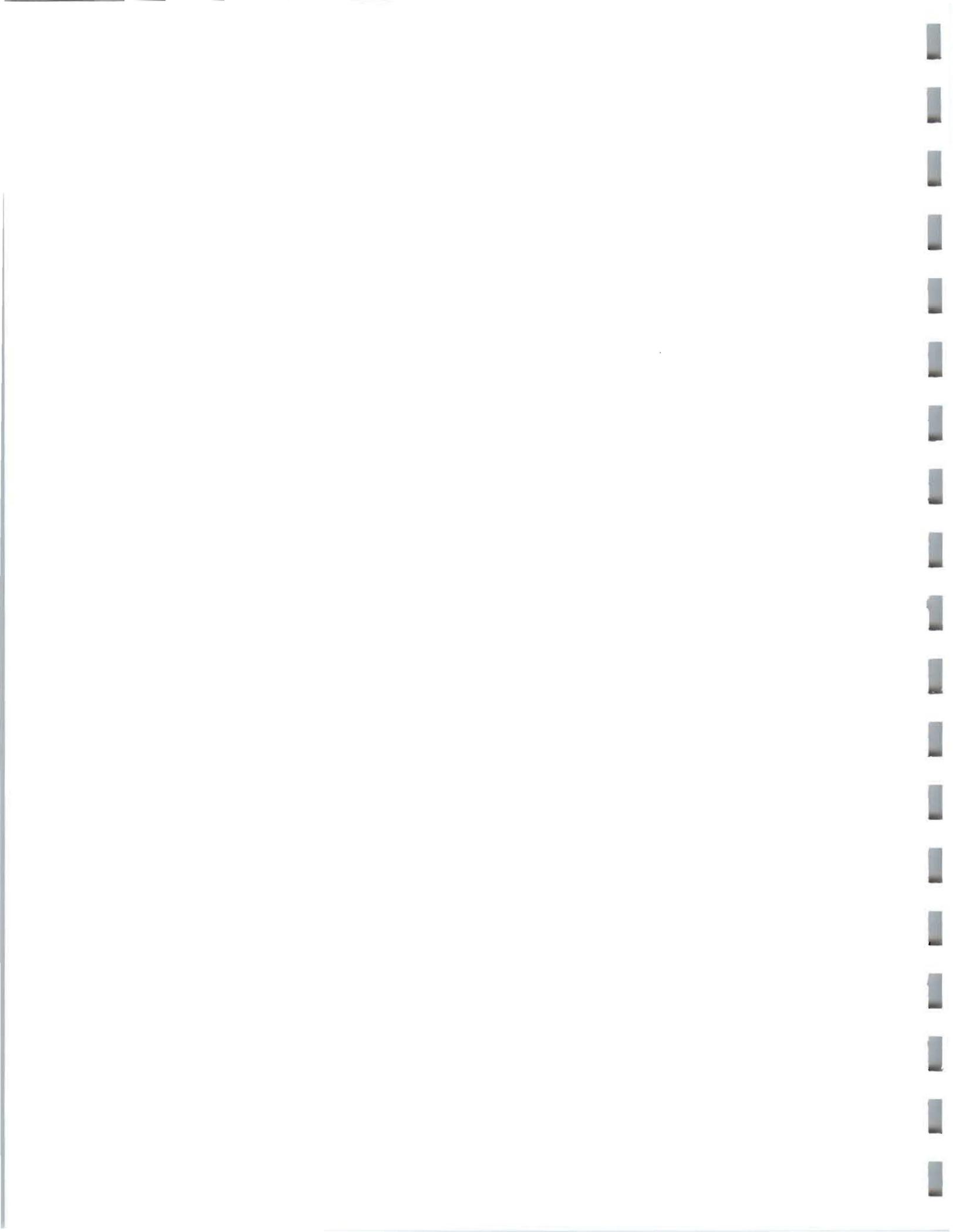
NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	34.00%	5.20 %
International Equity	19.00%	5.00 %
Emerging Markets Equity	8.00%	5.45 %
Fixed Income	20.00%	0.25 %
Real Assets	10.00%	4.00 %
Private Equity	8.00%	6.15 %
Cash	<u>1.00%</u>	(0.50)%
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 current employer contribution rate (15.75%). 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.

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, 2015, 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%)	\$ 30,501,520
Current discount rate (7.75%)	23,140,668
1.00% increase (8.75%)	17,032,537



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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.

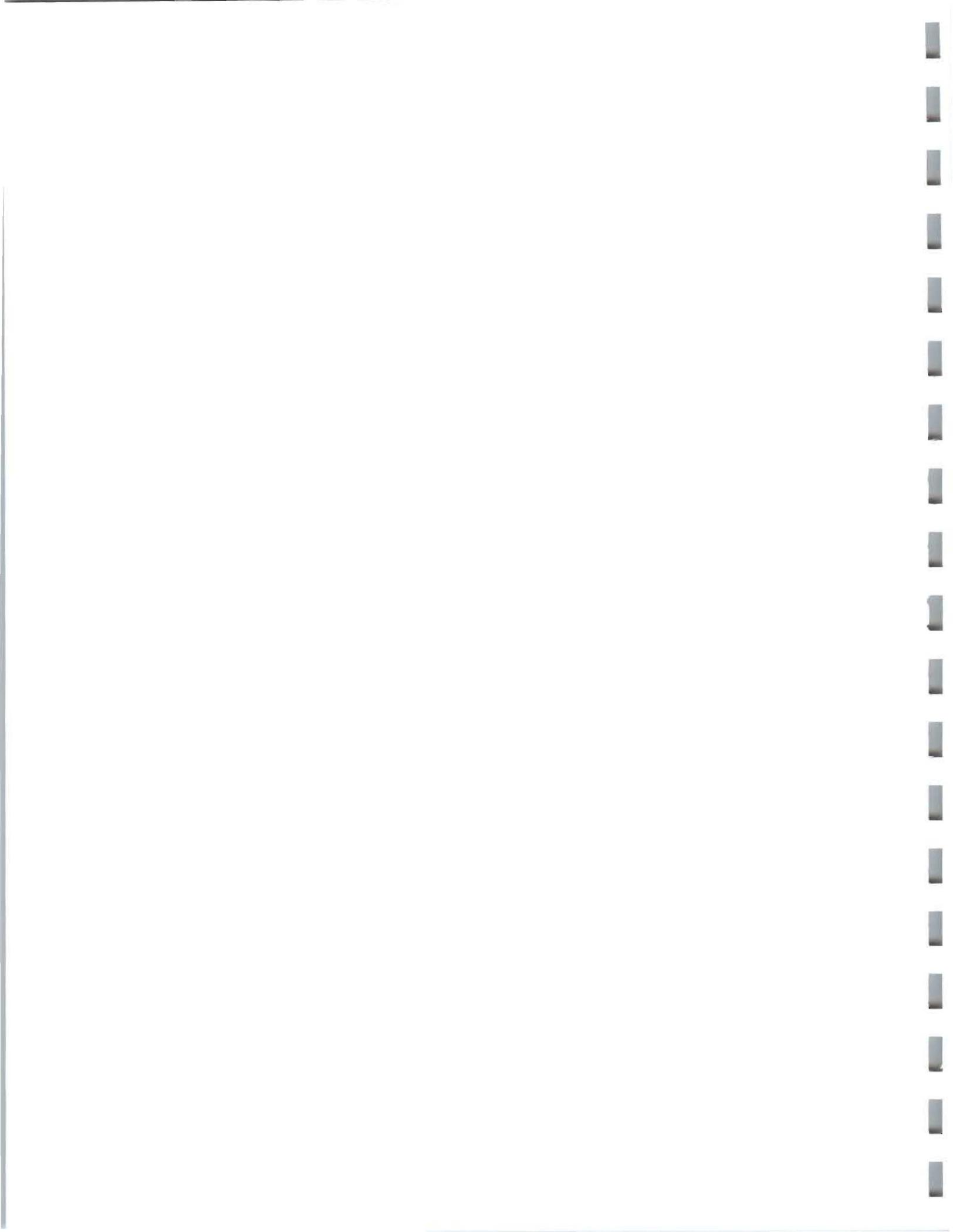
The City has joined with other municipalities to pool its risk as a member of the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Pool, both of which are public entity risk pools. The City pays annual premiums to the liability plan and quarterly premiums to the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

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 \$767 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.



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 12 - HEALTH SELF-INSURANCE PLAN - CONTINUED:

For the fiscal year ended September 30, 2015, the City was reimbursed \$312,254 for losses in excess of \$50,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at September 30, 2015 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 2013 through 2015 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Fiscal Year
2012-2013	\$ 236,112	2,072,140	2,091,918	216,334
2013-2014	216,334	1,796,824	1,823,537	189,621
2014-2015	189,621	1,721,233	1,770,663	140,191

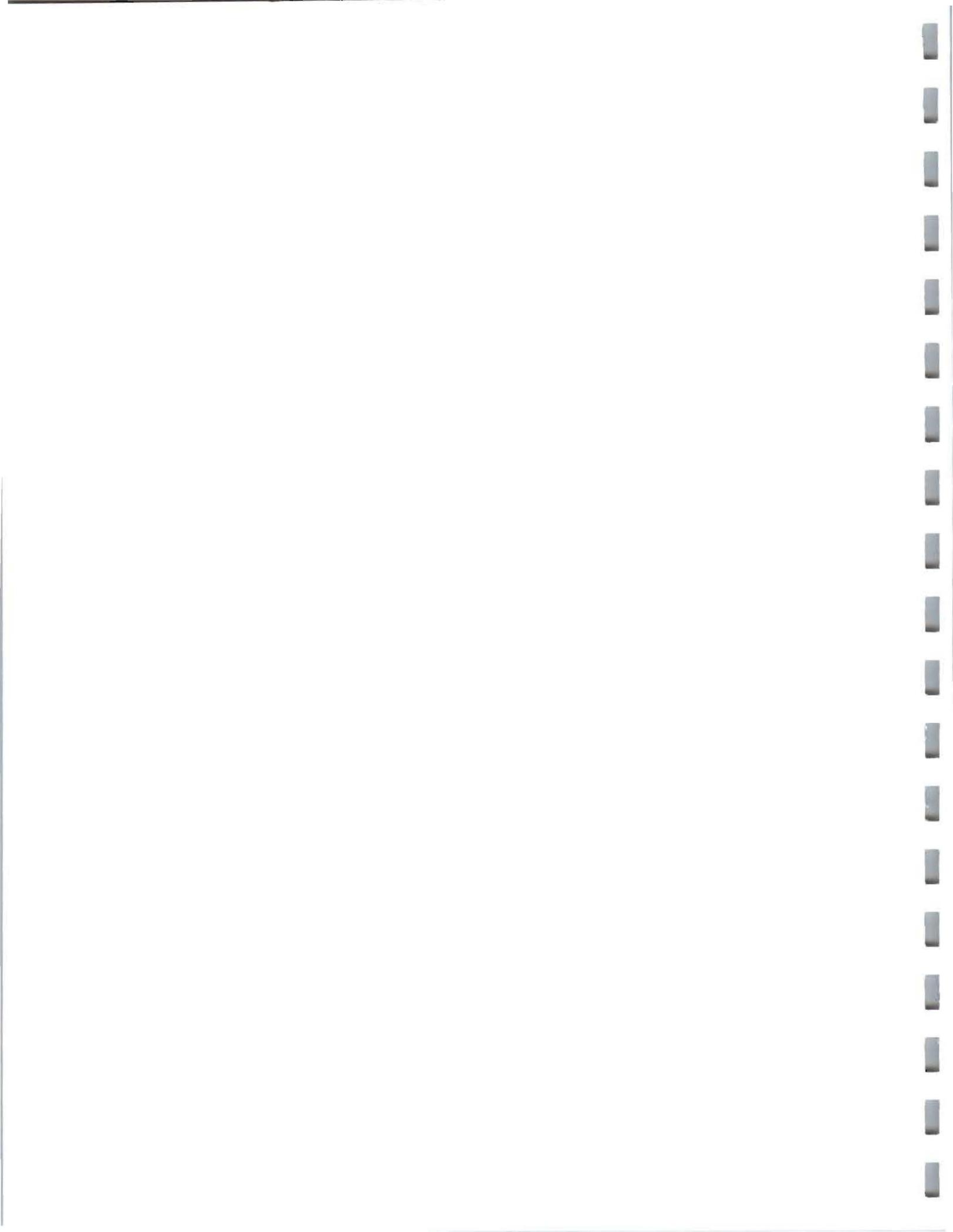
NOTE 13 - COMMITMENTS

At September 30, 2015, 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, 2015	Commitment Outstanding as of September 30, 2015
Wirtz Road Bike Trail Project	Construction	\$ 1,491,068	-	1,491,068
Lakeland Drive Utility Relocation (Highway 25)	Construction	322,014	282,271	39,743
Water Storage Tank Rehabilitation	Engineering	49,600	22,614	26,986
Water Storage Tank Rehabilitation	Construction	450,200	-	450,200
Water Utility Improvements	Engineering	725,400	-	725,400
Storm Water Project	Engineering	150,000	-	150,000
Total			\$	<u>2,883,397</u>

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CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 14 - FUND DEFICIT

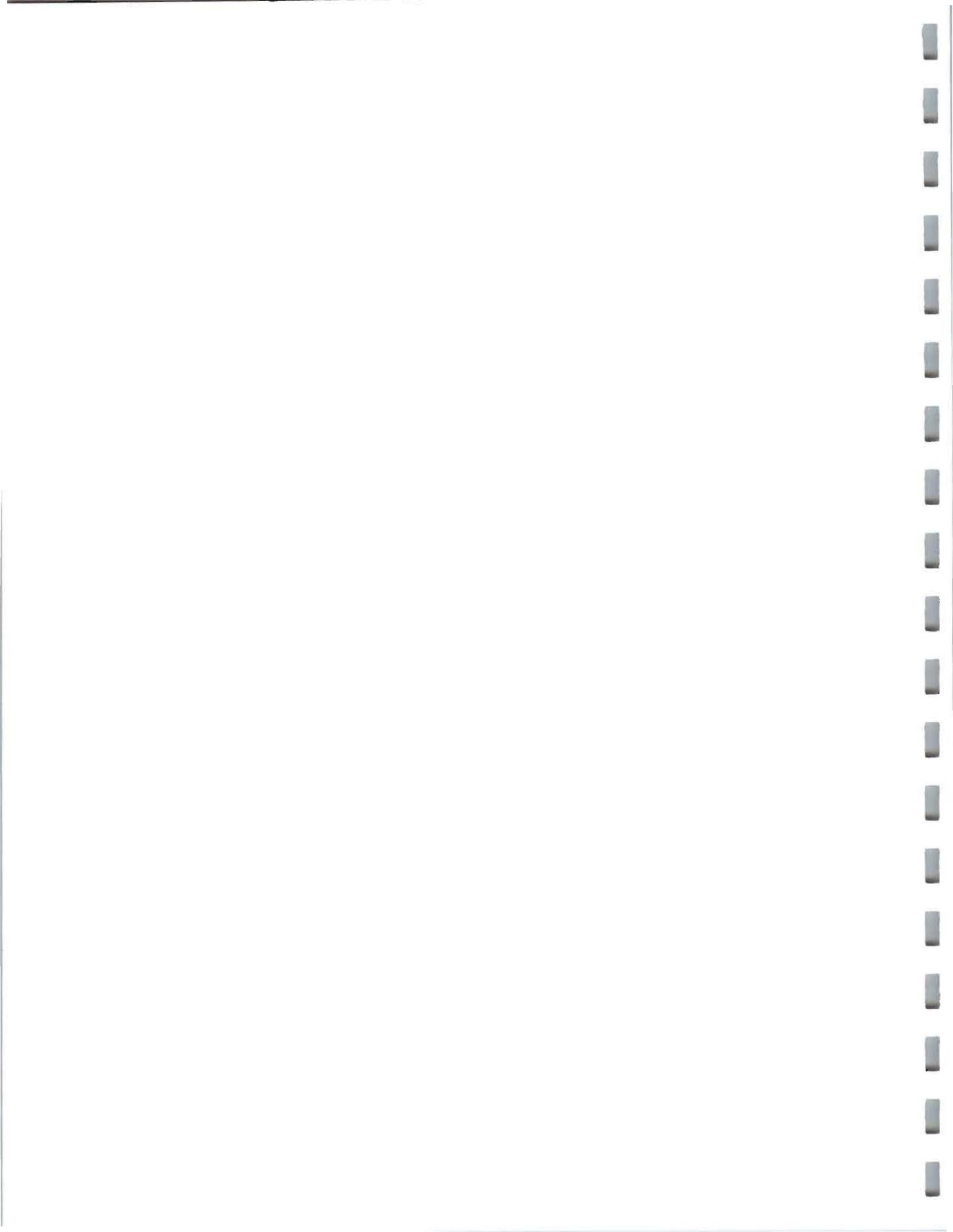
Golf Course Enterprise Fund - The fund had a deficit fund balance of \$2,240,621 as of September 30, 2015.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The City has restated prior year government-wide net position and Water and Sewer Fund net position for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

The following summarizes the prior period adjustments referred to above.

<u>Government-Wide Governmental Activities - Net Position</u>	
Balance, September 30, 2014, as previously reported	\$ 100,920,211
Prior period adjustment for:	
Net pension liability	(16,871,850)
Deferred outflows - FY 2014 contributions made subsequent to the Plan's measurement date of June 30, 2014	<u>433,321</u>
Balance, September 30, 2014, as restated	\$ <u>84,481,682</u>
Total decrease in governmental activities net position	\$ <u>(16,438,529)</u>
<u>Government-Wide Business-Type Activities - Net Position</u>	
Balance, September 30, 2014, as previously reported	\$ 26,360,119
Prior period adjustment for:	
Net pension liability	(2,148,660)
Deferred outflows - FY 2014 contributions made subsequent to the Plan's measurement date of June 30, 2014	<u>55,184</u>
Balance, September 30, 2014, as restated	\$ <u>24,266,643</u>
Total decrease in business-type activities net position	\$ <u>(2,093,476)</u>
<u>Water and Sewer Fund - Net Position</u>	
Balance, September 30, 2014, as previously reported	\$ 28,822,574
Prior period adjustment for:	
Net pension liability	(2,148,660)
Deferred outflows - FY 2014 contributions made subsequent to the Plan's measurement date of June 30, 2014	<u>55,184</u>
Balance, September 30, 2014, as restated	\$ <u>26,729,098</u>
Total decrease in Water and Sewer Fund net position	\$ <u>(2,093,476)</u>



CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

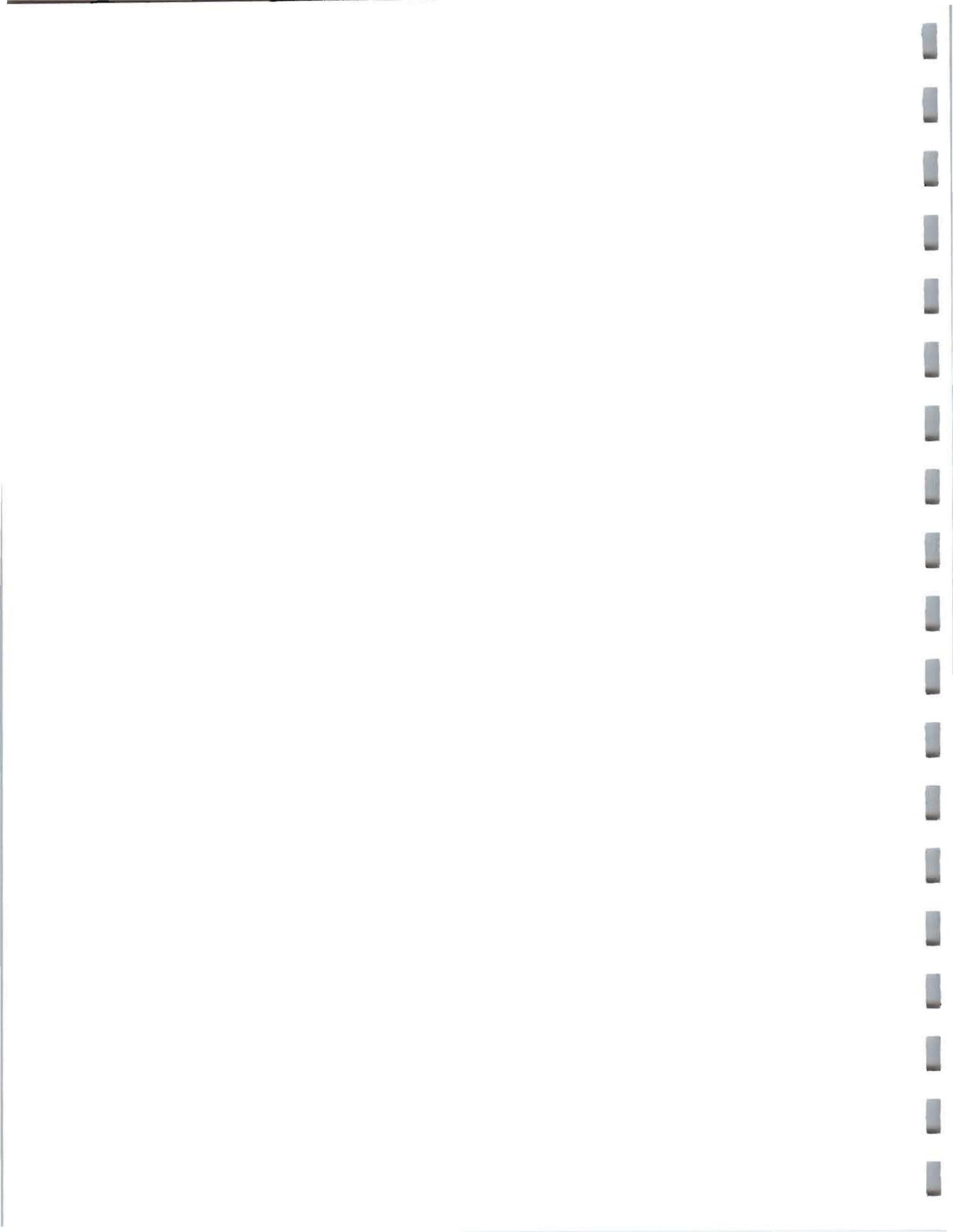
In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014.

GASB No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, provides accounting and financial reporting guidance, including disclosure requirements, for combinations (mergers, acquisitions, or transfers of operations) and disposals of operations in the government environment. GASB No. 69 is effective for such transactions occurring in financial reporting periods beginning after December 15, 2013.

In November 2013, the GASB amended GASB No. 68 by issuing GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which is to be applied simultaneously with GASB No. 68. At the beginning of the period in which GASB No. 68 is adopted, it may not be practical for a government to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, GASB No. 71, paragraph 3, requires the government to recognize a beginning deferred outflow of resources only for any pension contributions it made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. No beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized.

Recently Issued Accounting Pronouncements

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. 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, 2015

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

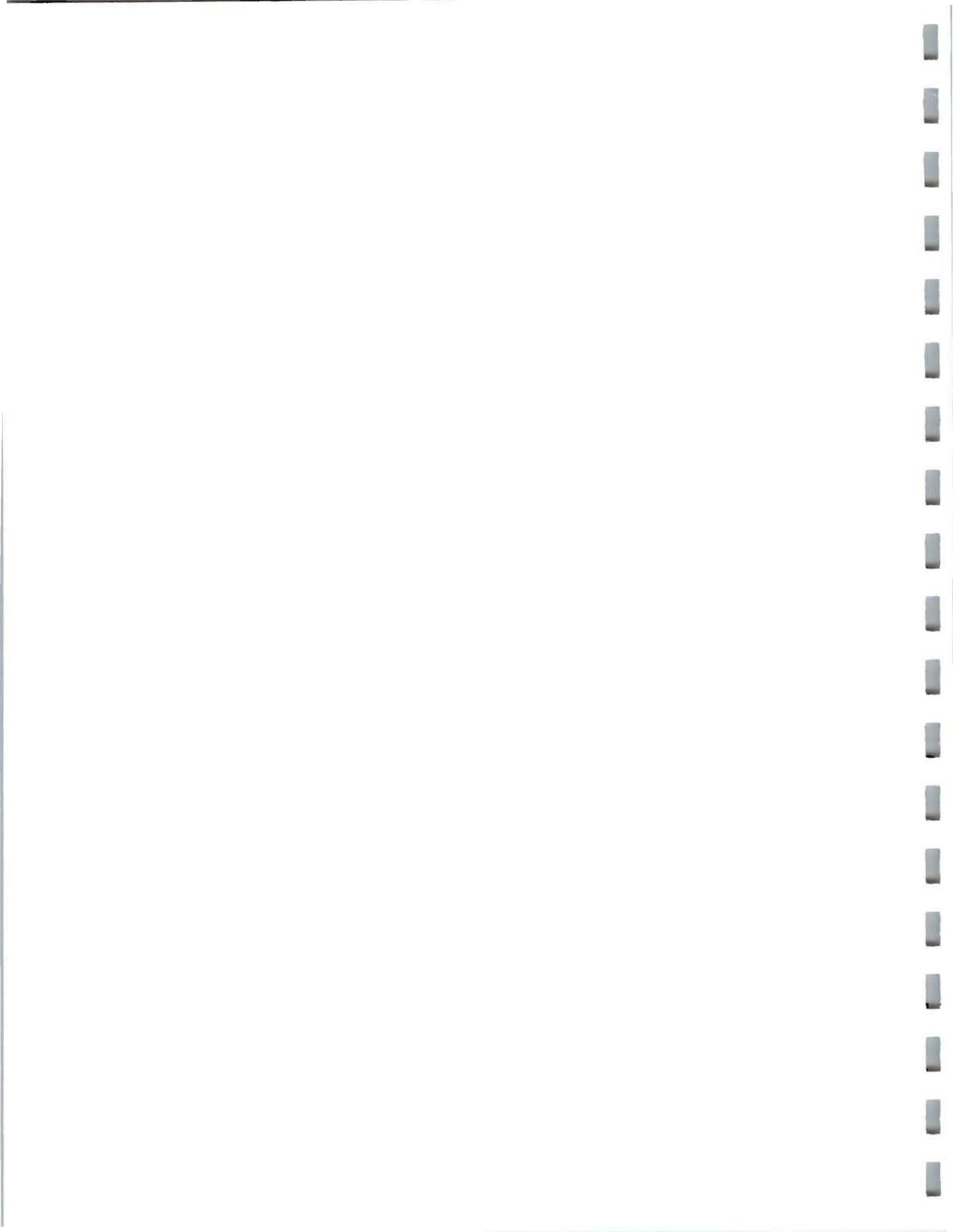
Recently Issued Accounting Pronouncements - continued:

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 73 will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will improve 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. This Statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation,



CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

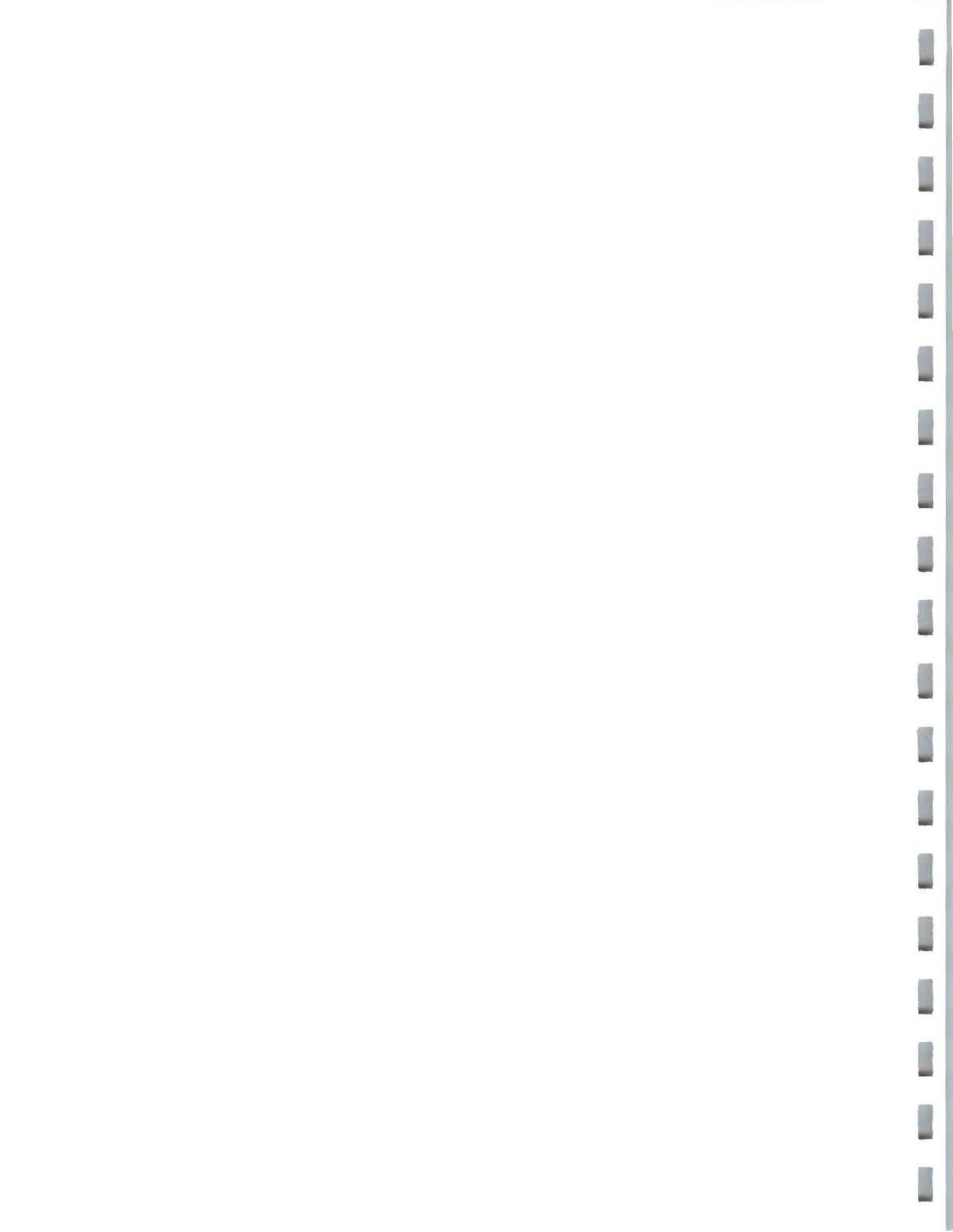
GASB Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements

NOTE 17 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through March 29, 2016, the date the financial statements were approved by the City's management and thereby available to be issued.

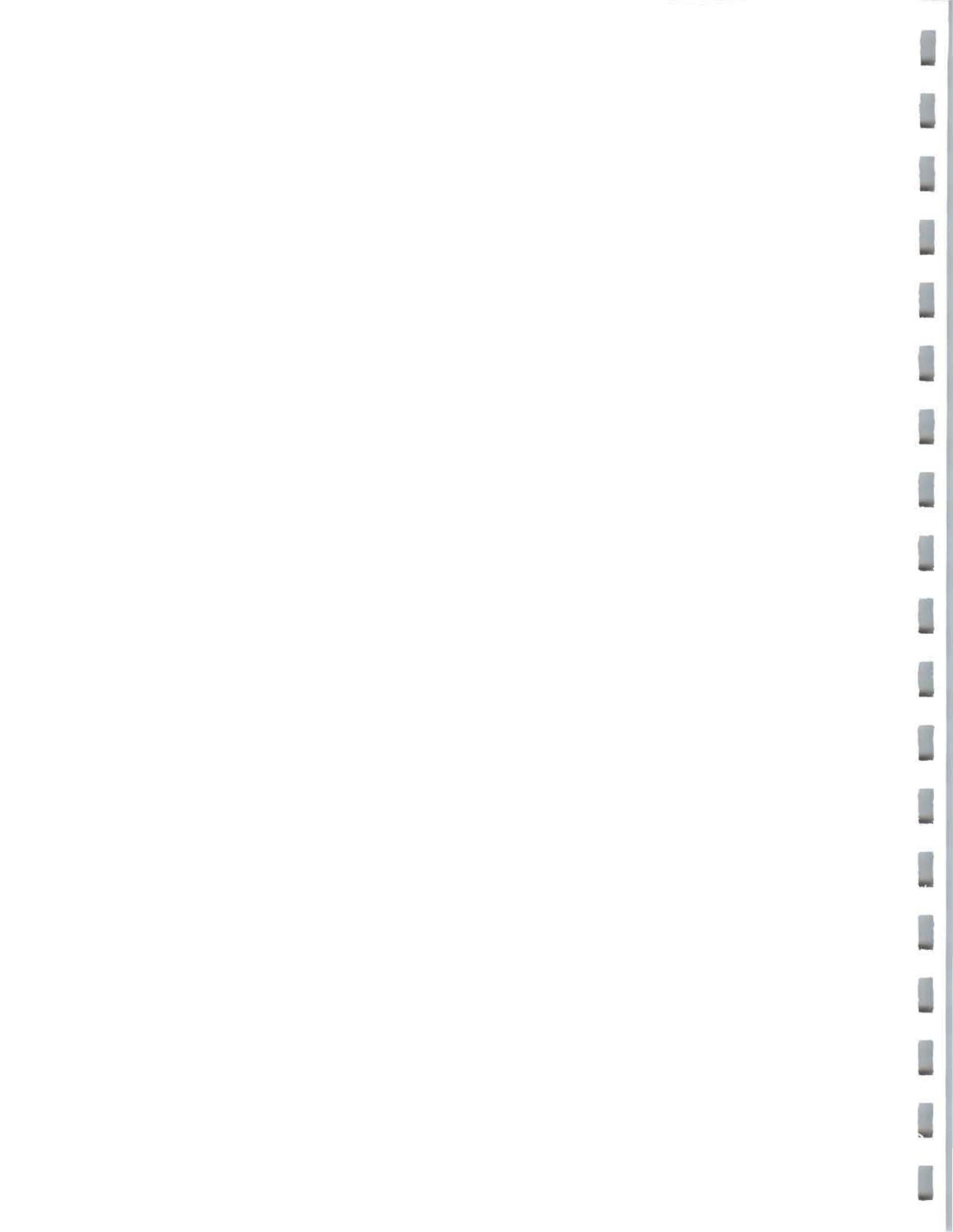


REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A



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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Current year ad valorem	\$ 4,318,500	4,819,000	4,914,579	95,579
Prior years ad valorem	22,000	18,500	18,250	(250)
Interest and penalties	12,000	12,000	24,722	12,722
Special assessments	200,000	-	169,408	169,408
Franchise fees	520,000	585,000	589,360	4,360
Licenses and permits	350,000	375,000	390,460	15,460
Intergovernmental	11,352,000	11,490,000	11,569,170	79,170
Charges for services	115,000	105,000	164,021	59,021
Fines and forfeits	1,000,000	1,060,000	1,115,162	55,162
Interest earned	6,000	9,000	10,544	1,544
Miscellaneous	100,000	90,000	99,922	9,922
Total revenues	<u>17,995,500</u>	<u>18,563,500</u>	<u>19,065,598</u>	<u>502,098</u>
EXPENDITURES:				
General government	1,408,000	1,348,000	1,224,266	123,734
Public safety	9,706,400	10,120,000	9,569,823	550,177
Court	774,000	735,000	678,198	56,802
Public property maintenance	748,250	781,000	658,662	122,338
Sanitation	253,000	255,000	254,650	350
Health	80,500	69,500	43,097	26,403
Street maintenance	1,304,000	1,359,000	1,132,319	226,681
Shop and maintenance	567,400	581,000	545,122	35,878
Landscape	523,750	502,500	454,070	48,430
Legal	333,500	336,000	317,499	18,501
Engineering	128,000	124,000	110,274	13,726
Total expenditures	<u>15,826,800</u>	<u>16,211,000</u>	<u>14,987,980</u>	<u>1,223,020</u>
Excess of revenues over expenditures	<u>2,168,700</u>	<u>2,352,500</u>	<u>4,077,618</u>	<u>1,725,118</u>
Other financing sources (uses):				
Proceeds from capital lease	-	370,000	370,105	105
Operating transfers in	-	70,800	67,755	(3,045)
Operating transfers out	<u>(2,313,000)</u>	<u>(2,432,000)</u>	<u>(2,365,286)</u>	<u>66,714</u>
Total financing sources (uses)	<u>(2,313,000)</u>	<u>(1,991,200)</u>	<u>(1,927,426)</u>	<u>63,774</u>



CITY OF FLOWOOD, MISSISSIPPI

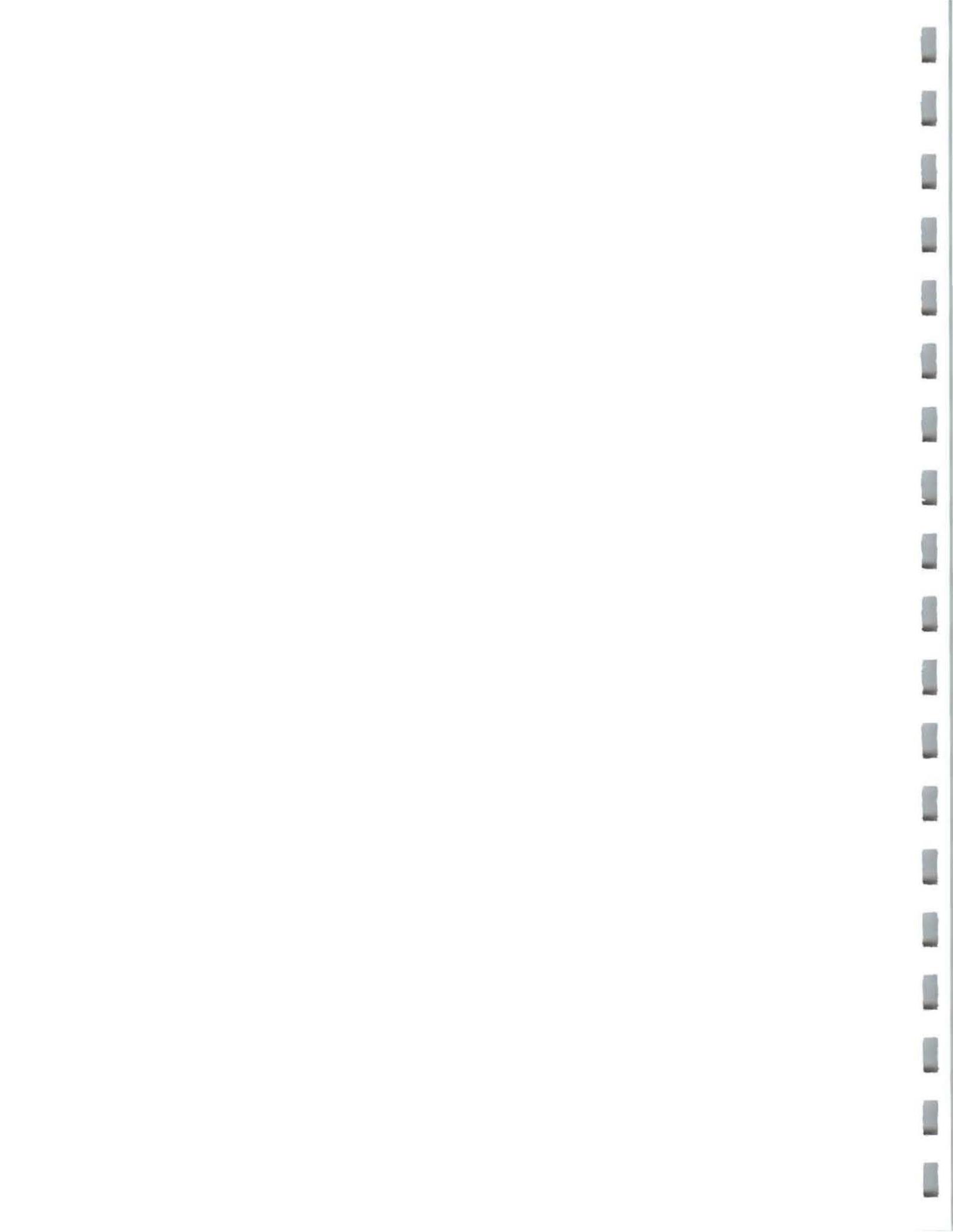
**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<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	\$ (144,300)	361,300	2,150,192	1,788,892
Fund balance at beginning of year	<u>6,240,181</u>	<u>6,240,181</u>	<u>6,240,181</u>	<u>-</u>
Fund balance at end of year	\$ <u>6,095,881</u>	<u>6,601,481</u>	<u>8,390,373</u>	<u>1,788,892</u>

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

Fund Balance - budgetary basis	\$ 8,390,373
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	152,626
Special assessments	20,854
Intergovernmental	942,283
Police fines	27,914
Miscellaneous	2,119
Prepaid expenses	69,730
Less: accounts payable paid after October 30, 2015	<u>(65,192)</u>
Fund Balance - GAAP basis	\$ <u>9,540,707</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 975,000	925,000	889,155	35,845
Supplies	48,000	48,000	38,230	9,770
Other services and charges	375,000	365,000	289,101	75,899
Capital outlay	10,000	10,000	7,780	2,220
Total general government	<u>1,408,000</u>	<u>1,348,000</u>	<u>1,224,266</u>	<u>123,734</u>
Public safety:				
Police:				
Personal services	3,875,000	3,940,000	3,830,290	109,710
Supplies	340,000	280,000	248,537	31,463
Other services and charges	437,800	470,000	374,743	95,257
Capital outlay	138,600	660,000	655,335	4,665
Total police	<u>4,791,400</u>	<u>5,350,000</u>	<u>5,108,905</u>	<u>241,095</u>
Fire:				
Personal services	4,275,000	4,150,000	4,050,887	99,113
Supplies	220,000	200,000	171,896	28,104
Other services and charges	340,000	340,000	228,696	111,304
Capital outlay	80,000	80,000	9,439	70,561
Total fire	<u>4,915,000</u>	<u>4,770,000</u>	<u>4,460,918</u>	<u>309,082</u>
Total public safety	<u>9,706,400</u>	<u>10,120,000</u>	<u>9,569,823</u>	<u>550,177</u>
Court:				
Personal services	490,000	440,000	419,761	20,239
Supplies	14,000	10,000	7,135	2,865
Other services and charges	260,000	275,000	246,232	28,768
Capital outlay	10,000	10,000	5,070	4,930
Total court	<u>774,000</u>	<u>735,000</u>	<u>678,198</u>	<u>56,802</u>
Public property maintenance:				
Personal services	74,000	76,000	74,742	1,258
Supplies	24,250	55,000	41,197	13,803
Other services and charges	550,000	550,000	476,017	73,983
Capital outlay	100,000	100,000	66,706	33,294
Total public property maintenance	<u>748,250</u>	<u>781,000</u>	<u>658,662</u>	<u>122,338</u>

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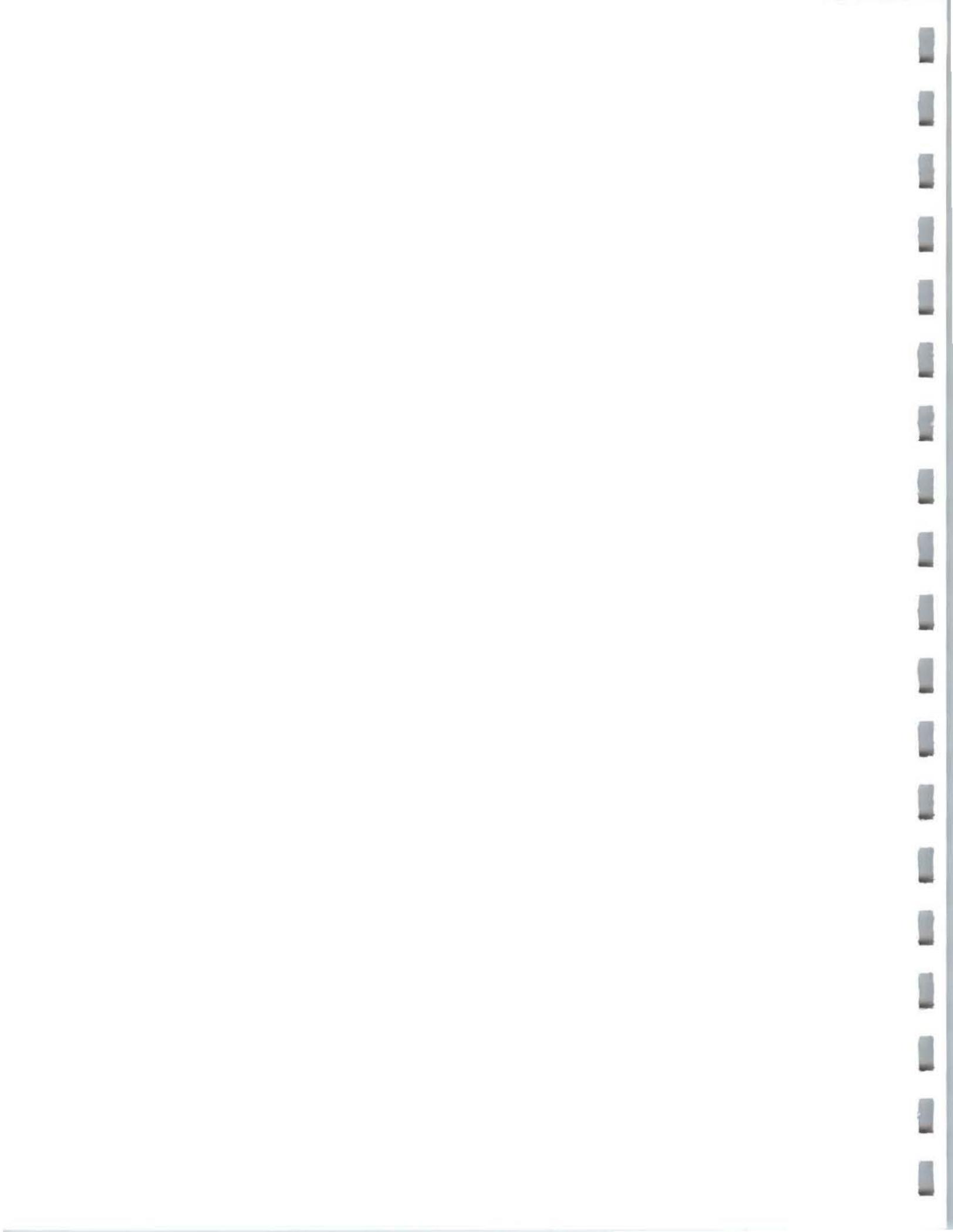
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CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<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	253,000	255,000	254,650	350
Capital outlay	-	-	-	-
Total sanitation	<u>253,000</u>	<u>255,000</u>	<u>254,650</u>	<u>350</u>
Health:				
Personal services	18,000	18,000	16,198	1,802
Supplies	61,000	50,000	26,899	23,101
Other services and charges	1,500	1,500	-	1,500
Capital outlay	-	-	-	-
Total health	<u>80,500</u>	<u>69,500</u>	<u>43,097</u>	<u>26,403</u>
Street maintenance:				
Personal services	1,140,000	1,180,000	1,128,206	51,794
Supplies	5,000	-	-	-
Other services and charges	9,000	159,000	-	159,000
Capital outlay	150,000	20,000	4,113	15,887
Total street maintenance	<u>1,304,000</u>	<u>1,359,000</u>	<u>1,132,319</u>	<u>226,681</u>
Shop:				
Personal services	255,000	260,000	253,167	6,833
Supplies	251,600	258,000	235,724	22,276
Other services and charges	54,800	60,000	54,721	5,279
Capital outlay	6,000	3,000	1,510	1,490
Total shop	<u>567,400</u>	<u>581,000</u>	<u>545,122</u>	<u>35,878</u>
Landscape:				
Personal services	372,000	365,000	355,593	9,407
Supplies	114,250	100,000	79,694	20,306
Other services and charges	35,000	35,000	18,783	16,217
Capital outlay	2,500	2,500	-	2,500
Total landscape	<u>523,750</u>	<u>502,500</u>	<u>454,070</u>	<u>48,430</u>

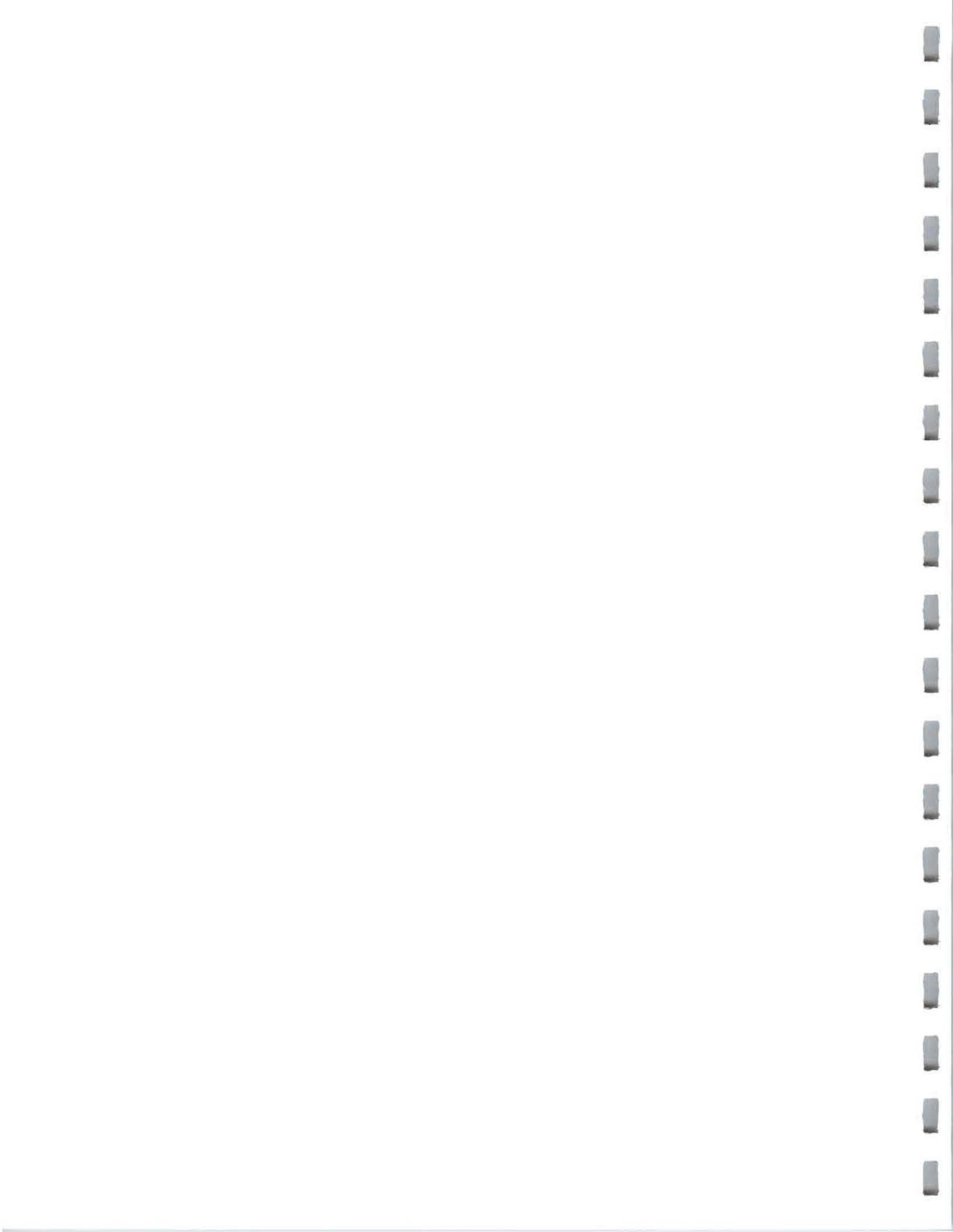


CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2015**

	<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>
Legal:				
Personal services	\$ 312,000	310,000	300,030	9,970
Supplies	7,000	3,500	1,922	1,578
Other services and charges	12,000	20,000	15,547	4,453
Capital outlay	2,500	2,500	-	2,500
Total legal	<u>333,500</u>	<u>336,000</u>	<u>317,499</u>	<u>18,501</u>
Engineering:				
Personal services	105,000	105,000	100,176	4,824
Supplies	11,000	4,000	1,626	2,374
Other services and charges	12,000	15,000	8,472	6,528
Capital outlay	-	-	-	-
Total engineering	<u>128,000</u>	<u>124,000</u>	<u>110,274</u>	<u>13,726</u>
Total expenditures	\$ <u>15,826,800</u>	<u>16,211,000</u>	<u>14,987,980</u>	<u>1,223,020</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, 2015**

	<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>
REVENUES:				
Intergovernmental	\$ 2,250,000	2,385,000	2,402,820	17,820
Contributions	-	-	46,950	46,950
Interest earned	3,000	4,000	3,680	(320)
Miscellaneous	-	-	3,199	3,199
Total revenues	<u>2,253,000</u>	<u>2,389,000</u>	<u>2,456,649</u>	<u>67,649</u>
EXPENDITURES:				
Recreation:				
Personal services	735,000	610,000	586,714	23,286
Supplies	181,400	155,000	109,044	45,956
Other services and charges	323,100	290,000	266,015	23,985
Capital outlay	19,300	120,000	112,948	7,052
Total expenditures	<u>1,258,800</u>	<u>1,175,000</u>	<u>1,074,721</u>	<u>100,279</u>
Excess of revenues over expenditures	994,200	1,214,000	1,381,928	167,928
Other financing sources (uses):				
Operating transfers out	<u>(2,400,000)</u>	<u>(1,904,000)</u>	<u>(1,859,227)</u>	<u>44,773</u>
Total other financing sources (uses)	<u>(2,400,000)</u>	<u>(1,904,000)</u>	<u>(1,859,227)</u>	<u>44,773</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(1,405,800)	(690,000)	(477,299)	212,701
Fund balance at beginning of year	<u>2,447,706</u>	<u>2,447,706</u>	<u>2,447,706</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>1,041,906</u></u>	<u><u>1,757,706</u></u>	<u><u>1,970,407</u></u>	<u><u>212,701</u></u>

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

Fund balance - budgetary basis	\$ 1,970,407
Adjustment to GAAP basis:	
Add accrued sales tax revenue	<u>228,614</u>
Fund balance - GAAP basis	\$ <u><u>2,199,021</u></u>

See accompanying notes to required supplemental information schedules.



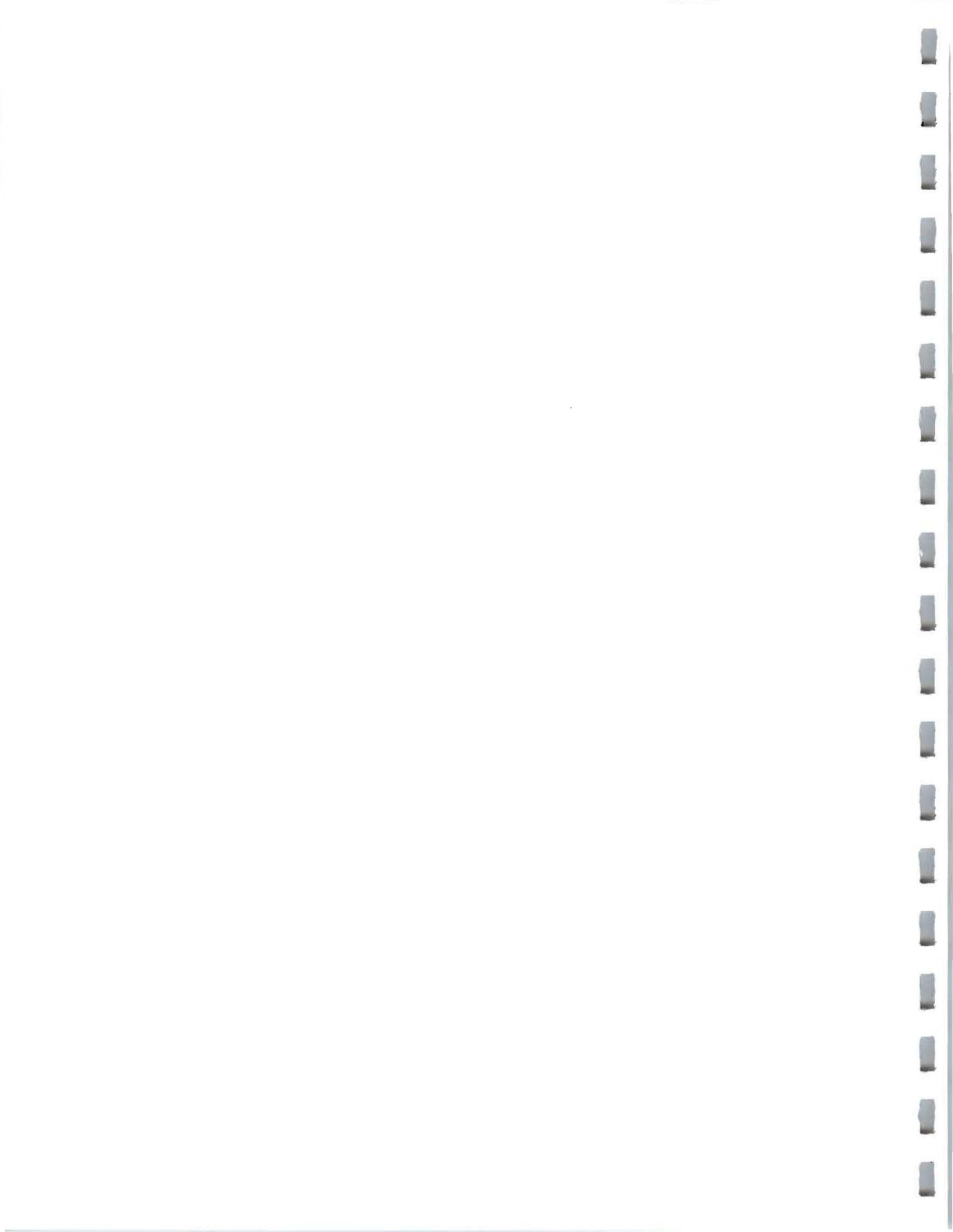
CITY OF FLOWOOD, MISSISSIPPI

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	*	*	\$ 23,140,668
City's proportionate of the collective net pension liability	*	*	*	*	*	*	*	*	*	0.1497%
City's covered employee payroll	*	*	*	*	*	*	*	*	*	\$ 9,335,386
City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll	*	*	*	*	*	*	*	*	*	247.88%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	*	*	*	61.70%

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015.

See accompanying notes to required supplemental information schedules.



CITY OF FLOWOOD, MISSISSIPPI

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

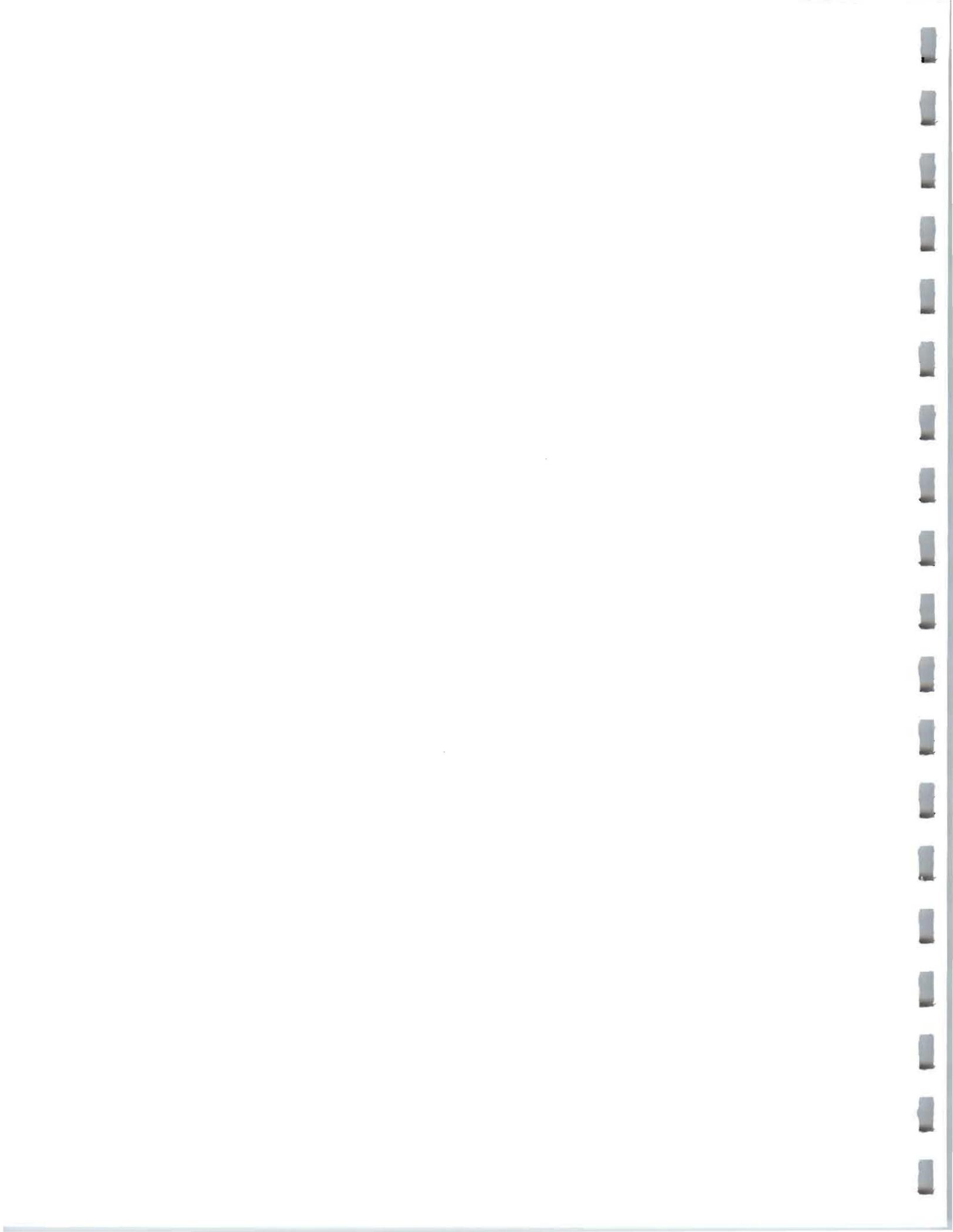
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially determined employer contribution	*	*	*	*	*	*	*	*	*	\$1,470,323
Contributions in relation to the actuarially determined contributions	<u>*</u>	<u>1,470,323</u>								
Annual contribution deficiency (excess)	<u>*</u>	<u>\$ -</u>								
City's covered-employee payroll	*	*	*	*	*	*	*	*	*	\$9,335,386
Actual contributions as a percentage of covered-employer payroll	*	*	*	*	*	*	*	*	*	15.75%

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015.

See accompanying notes to required supplemental information schedules.

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CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
SEPTEMBER 30, 2015**

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 OF BENEFIT TERMS

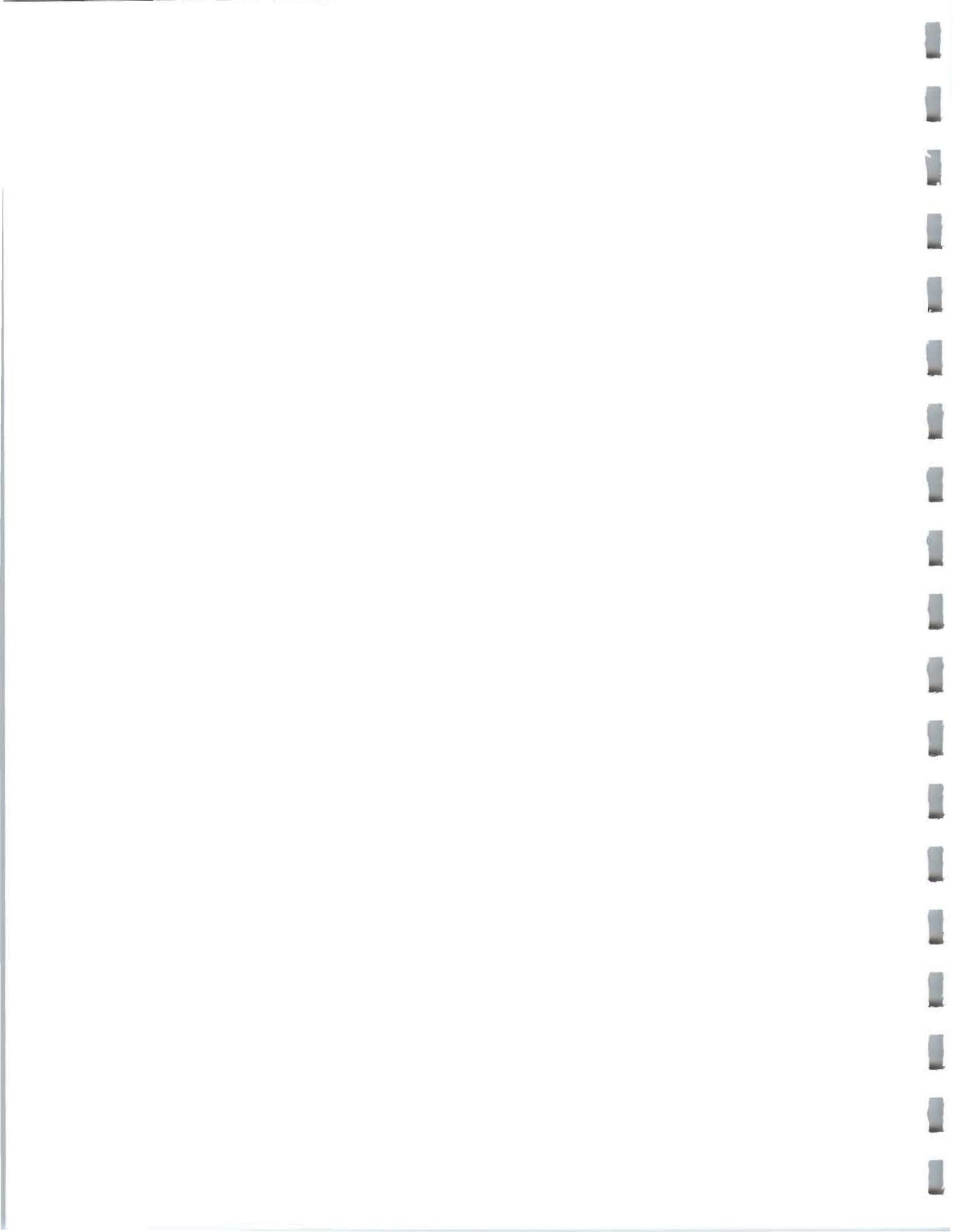
None.

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.



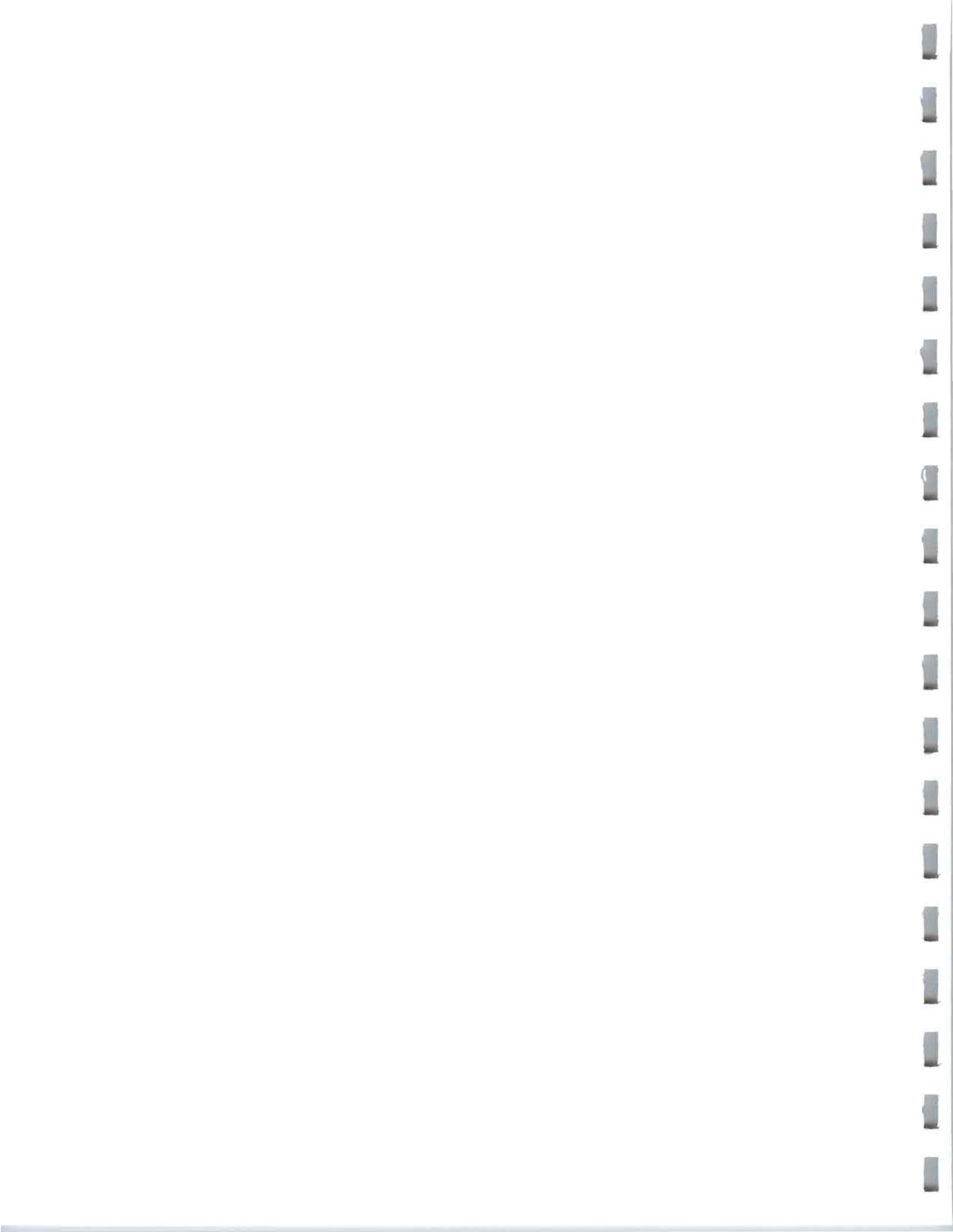
SUPPLEMENTAL INFORMATION



CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2015**

<u>Bond Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Gary L. Rhoads	Mayor	FCCI	\$ 100,000
Josh Carlisle	City Clerk / Comptroller	Merchants	100,000
Josh Carlisle	Notary	Merchants	50,000
Richard McCluskey	Chief of Police	Merchants	100,000
Greg Wilcox	Parks and Recreation Director	Merchants	50,000
	Alderspersons (5)	FCCI	100,000 each
Kay Jackson	Administrative	Merchants	50,000
Susan Bolian	Administrative	Merchants	50,000
Karlee Ledbetter	Administrative	Merchants	50,000
Barbara Watkins	Administrative	Merchants	50,000
Jenny Dufour	Administrative	Merchants	50,000
Cindy Ware	Administrative	Merchants	50,000
Tamela Boyte	Administrative	Merchants	50,000
Mary Anne Wilke	Administrative	Merchants	50,000
Melissa Malone	Administrative	Merchants	50,000
Sherry Black	Administrative	Merchants	50,000
Blanket Bond	All Employees	Merchants	50,000 each
Unemployment Bond	All Employees	Merchants	58,000 total





CPAs & Advisors

**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, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Flowood, Mississippi's basic financial statements, and have issued our report thereon dated March 29, 2016.

Internal Control Over Financial Reporting

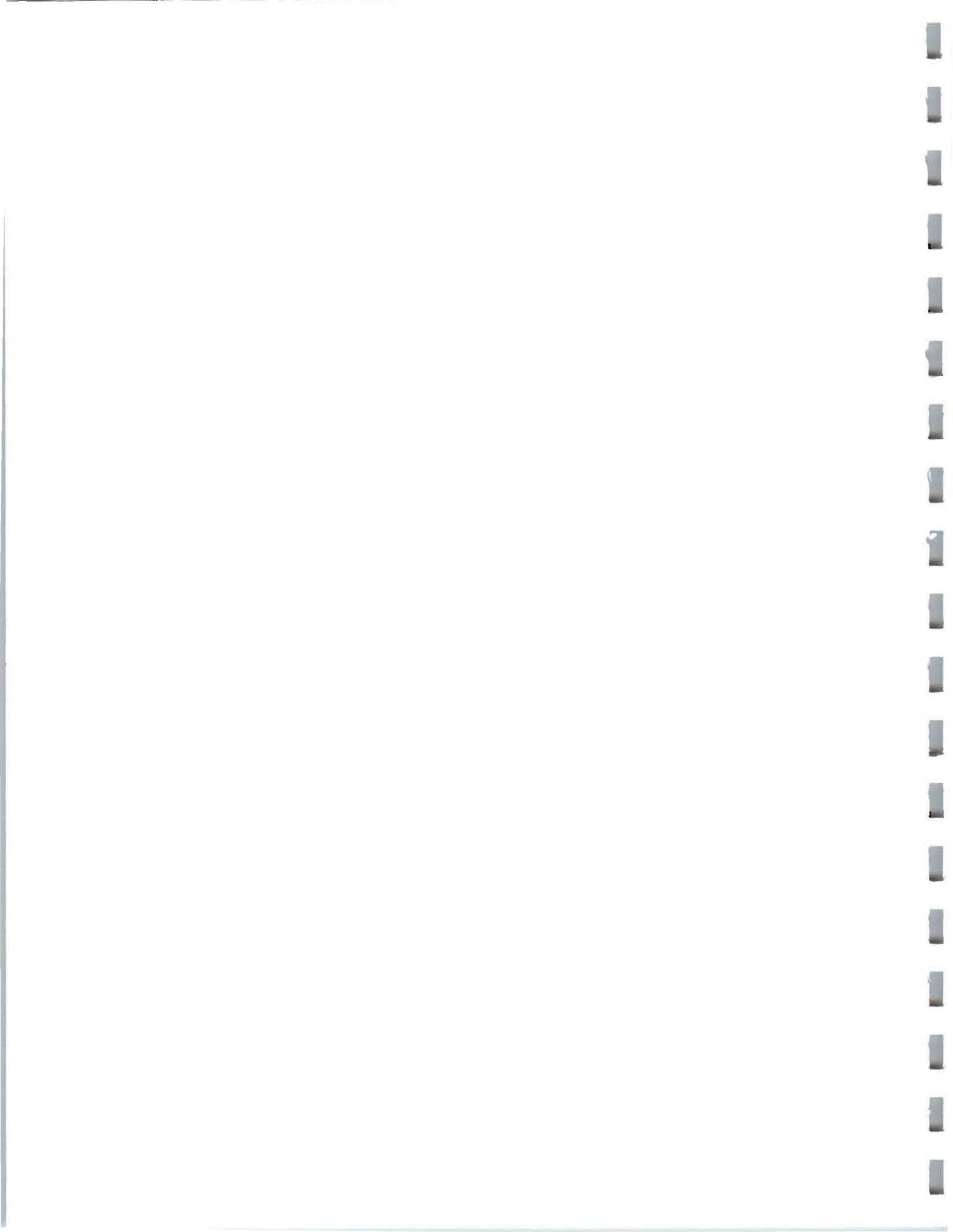
In planning and performing our audit, we considered the City of Flowood, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not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

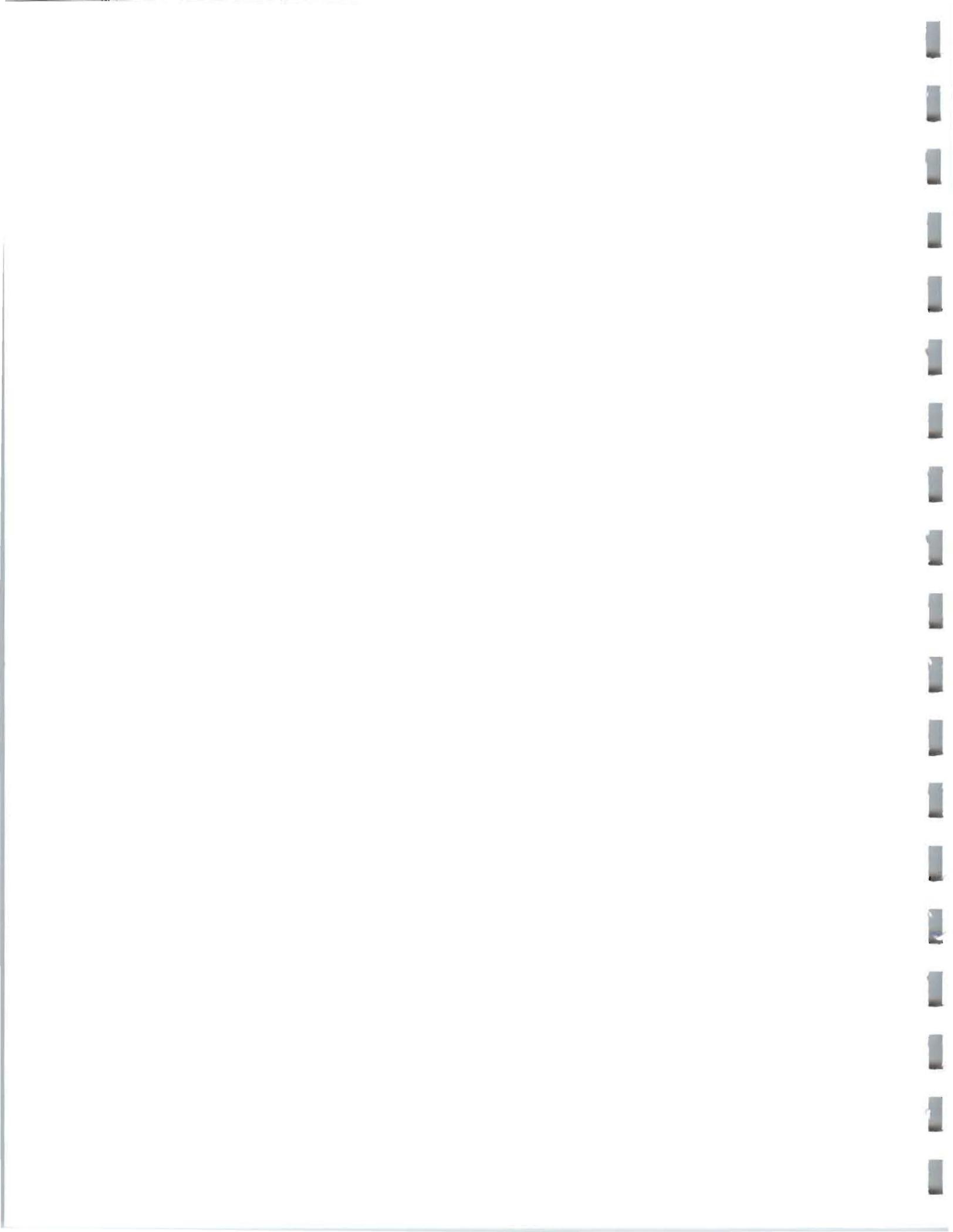
As part of obtaining reasonable assurance about whether the City of Flowood, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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

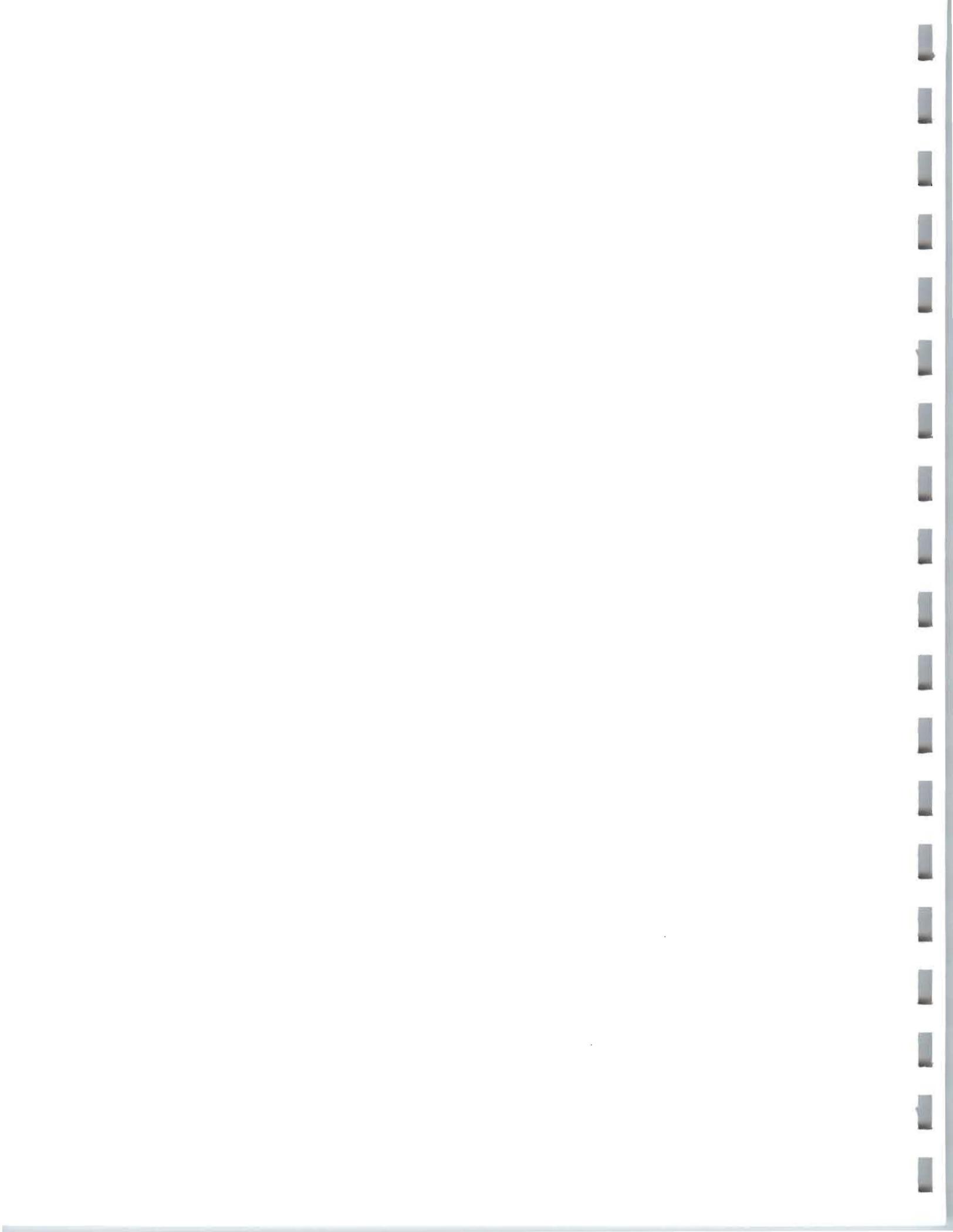
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance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

Haddox Reed Eubank Beth PLLC

Jackson, Mississippi
March 29, 2016



STATE COMPLIANCE SECTION





CPAs & Advisors

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, 2015, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated March 29, 2016. 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's management, Board of Alderpersons, Federal awarding agencies and pass-through entities, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
March 29, 2016

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