



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF FLOWOOD, MISSISSIPPI
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
SEPTEMBER 30, 2003

CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Fund Financial Statements:	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Net Assets	23
Statement of Cash Flows	24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	26
Notes to Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A:	
Budgetary Comparison Schedule - General Fund	58
Budgetary Comparison Schedule - General Fund Expenditures	60
Budgetary Comparison Schedule - Recreation and Tourism Special Tax Fund	62
COMBINING FINANCIAL STATEMENTS:	
City-Wide Debt Service:	
Balance Sheet	63
Statement of Revenues, Expenditures, and Changes in Fund Balance	64

CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
COMBINING FINANCIAL STATEMENTS - CONTINUED:	
Nonmajor Governmental Funds:	
Balance Sheet	65
Statement of Revenues, Expenditures, and Changes in Fund Balance	66
Budgetary Comparison Schedules - Other Nonmajor Governmental Funds:	
Fire Protection Fund	67
State Gasoline Tax	68
Police Grants Fund	69
Police Seizure Fund	70
SUPPLEMENTAL INFORMATION:	
Schedule of Operations - Actual and Budget - Water and Sewer Enterprise Fund	71
Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections	72
Schedule of Temporary Cash Investments and Investments - All Funds	73
Schedule of Surety Bonds for Municipal Officials	74
Schedule of Long-Term Debt	75
ADDITIONAL REPORTS:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	79
ADDITIONAL SCHEDULES:	
Schedule of Expenditures of Federal Awards	81
Note to Schedule of Expenditures of Federal Awards	82
Schedule of Findings and Questioned Costs	83

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flowood, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Flowood, Mississippi, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of September 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 59 through 63, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowood, Mississippi, basic financial statements. The combining financial statements and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Flowood, Mississippi. The combining financial statements, schedule of expenditures of federal awards, and supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 4, 2005

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2003

Our discussion and analysis of The City of Flowood's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 15 to enhance their understanding of the City's financial performance. This is the first year that the City has presented its financial statements under the new reporting model required by GASB 34. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated the prior fiscal year for the purposes of providing comparative information for the MD&A. In future years, when prior year information is available, a comparative analysis of government-wide data will be included in this report.

FINANCIAL HIGHLIGHTS

- The net assets of the City increased by \$5,792,025 as a result of this year's operations. The primary factor resulting in the increase was the receipt of \$4,271,624 in capital grants which were used to construct various capital assets. Increases in general revenues (primarily sales tax) were also a major contributing factor.
- The City's General Fund realized a significant increase in total revenue compared to the prior year (\$8,449,563 in 2003 compared to \$7,739,073 in 2002). Total expenditures also reflected an increase (\$7,195,430 in 2003 compared to \$6,921,562 in 2002). Increased sales tax was the primary factor resulting in the increased revenues.

USING THE ANNUAL FINANCIAL REPORT

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

The Statement of Net Assets and Statement of Activities (on pages 15 and 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

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

USING THE ANNUAL FINANCIAL REPORT - CONTINUED:

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.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets for the 2003 fiscal year and changes in them. The City's net assets - the difference between assets and liabilities - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, non financial information, such as changes in the City's tax base and the condition of the City's capital assets, will also need to be evaluated.

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

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

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

REPORTING THE CITY AS A WHOLE - CONTINUED:

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 kinds of funds - governmental and proprietary - utilize different accounting approaches.

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

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

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

REPORTING THE CITY AS A WHOLE - CONTINUED:

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City acts as the trustee, or fiduciary, for the activity of the Airport Parkway Commission. The activity of the Airport Parkway Commission is reported in separate Statements of Fiduciary Net Assets. The activities of this fund 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

Recall that the Statement of Net Assets looks at the City as a whole. The City's combined net assets were \$44,441,270 as of September 30, 2003. **Table 1** provides a summary of the City's net assets.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 1)
Condensed Statement of Net Assets
At September 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$ 9,363,650	1,597,847	10,961,497
Capital assets, net	<u>38,735,298</u>	<u>32,356,533</u>	<u>71,091,831</u>
Total assets	<u>48,098,948</u>	<u>33,954,380</u>	<u>82,053,328</u>
Current liabilities	3,872,775	1,229,324	5,102,099
Noncurrent liabilities	<u>17,172,310</u>	<u>15,337,649</u>	<u>32,509,959</u>
Total liabilities	<u>21,045,085</u>	<u>16,566,973</u>	<u>37,612,058</u>
Net assets:			
Invested in capital assets, net of debt	20,451,714	16,995,918	37,447,632
Restricted:			
Capital projects	331,314	-	331,314
Debt service	1,058,299	232,074	1,290,373
Unrestricted	<u>5,212,536</u>	<u>159,415</u>	<u>5,371,951</u>
Total net assets	\$ <u>27,053,863</u>	<u>17,387,407</u>	<u>44,441,270</u>

By far the largest portion of the City's net assets (84.26%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Changes in Net Assets for the year ended September 30, 2003 are summarized in **Table 2**. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
REVENUES:			
Program revenues:			
Charges for services	\$ 1,040,581	3,758,307	4,798,888
Capital grants and contributions	4,271,624	-	4,271,624
General revenues:			
Property taxes	2,356,790	-	2,356,790
Sales tax	5,213,633	-	5,213,633
Other	<u>2,086,044</u>	<u>10,280</u>	<u>2,096,324</u>
Total revenues	<u>14,968,672</u>	<u>3,768,587</u>	<u>18,737,259</u>
EXPENSES:			
General government	834,741	-	834,741
Public safety	4,729,853	-	4,729,853
Public property maintenance	292,976	-	292,976
Sanitation	158,214	-	158,214
Health	59,815	-	59,815
Street maintenance	1,408,124	-	1,408,124
Recreation	453,390	-	453,390
Shop and maintenance	248,543	-	248,543
Debt service	448,146	-	448,146
Water and sewer	-	3,041,589	3,041,589
Golf course	<u>-</u>	<u>1,269,843</u>	<u>1,269,843</u>
Total expenses	<u>8,633,802</u>	<u>4,311,432</u>	<u>12,945,234</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	6,334,870	(542,845)	5,792,025
TRANSFERS	<u>(371,800)</u>	<u>371,800</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	5,963,070	(171,045)	5,792,025
NET ASSETS, BEGINNING OF YEAR	<u>21,090,793</u>	<u>17,558,452</u>	<u>38,649,245</u>
NET ASSETS, END OF YEAR	\$ <u>27,053,863</u>	<u>17,387,407</u>	<u>44,441,270</u>

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities

Several revenue sources fund our governmental activities. The City's sales tax accounted for \$5,213,633 or 34.8% of gross revenue; revenues from charges for services and grants and entitlements accounted for \$5,312,205 or 35.5% of gross revenues; and property taxes accounted for \$2,356,790 or 15.7% of revenues.

The City of Flowood has been able to increase its sales tax collections in the last five years by \$2,685,047 from gross collections in 1998 of \$2,528,586 to gross collections in 2003 of \$5,213,633. The majority of this increase is due to an aggressive economic development program and development of a booming retail and commercial district of the City, this being the Lakeland Drive (State Hwy 25) Development Corridor. Although much of this development has been accomplished through the use of property tax incentives (such as tax increment financing programs), the loss in property taxes collected has been more than offset by the increase in the sales tax collections.

Major expense activities include police and fire safety expenses accounting for 54.8% of the total program expenses, and street and public property maintenance accounting for 19.7%. The City of Flowood is committed to providing the best services possible for its citizens.

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

Business-Type Activities

Operating revenues of the City's business-type activities were \$3,758,307 for the fiscal year ended September 30, 2003. Expenses for the City's business-type activities were \$4,311,432, resulting in a loss of \$553,125. The non-operating revenues (expenses), including transfers in, were \$382,080 for the year, resulting in a decrease in net assets of \$171,045. Key operating results are detailed below:

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2003

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

- The City's water and sewer enterprise fund recorded charges for services of \$3,023,453 which reflects a 5.08% increase from the prior year. The most significant expenses of the water and sewer enterprise fund were \$591,881 for salaries and benefits, \$356,858 for sewage treatment and \$827,915 in depreciation expense.
- The golf course enterprise fund's revenue increased from \$693,382 in 2002 to \$734,854 in 2003 (5.98% increase), while operating expenses, excluding depreciation, decreased from \$876,682 to \$703,605 (19.74% decrease).

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 2003, 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 Aldermen for review before being amended by the Board of Aldermen at a regular monthly Board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the general fund supporting many of our major activities, such as our police and fire departments as well as general government activities, the general fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the general fund, original budgeted revenues for fiscal year 2003 were \$8,040,000; final budget amounts were \$8,191,000; and actual revenue collections were \$8,466,972. The primary factor contributing to the increase of actual revenues over budgeted amounts was increased sales tax collections. General fund operating expenditures were \$7,447,995 compared to budgeted amounts of \$8,295,360.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2003, the City had over \$71 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, road, bridges, water and sewer lines, and the municipal golf course facility. (See **Table 3** below.)

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**Table 3
Capital Assets at September 30, 2003
(Net of Depreciation)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 1,494,996	179,181	1,674,177
Land improvements	1,142,988	-	1,142,988
Buildings	6,565,856	-	6,565,856
Machinery and equipment	779,171	254,328	1,033,499
Infrastructure	22,170,767	-	22,170,767
Construction in progress	6,581,520	11,725,798	18,307,318
Water and sewer system	-	17,353,106	17,353,106
Golf course	<u>-</u>	<u>2,844,120</u>	<u>2,844,120</u>
 Total	 \$ <u>38,735,298</u>	 <u>32,356,533</u>	 <u>71,091,831</u>

This year's major additions included:

Land - YMCA facilities	\$ 728,945
Lakeland Drive lighting and traffic signalization	1,145,820
Infrastructure improvements	1,245,193
Public safety equipment	104,266
Water and sewer system improvements	2,338,902

Certain infrastructure asset additions added in 2003 resulted from the development of residential housing subdivisions and retail and commercial developments along the Lakeland Drive - Highway 25 corridor. Per the City's subdivision regulations, the developer places all infrastructure improvements within the subdivision and, upon completion of the improvements, the asset reverts to the City for future maintenance and repair.

Debt

At September 30, 2003 the City of Flowood had \$34,328,597 in outstanding debt from General Obligation Bonds, Revenue Bonds, Special Assessment Bonds, Limited Obligation Bonds and Notes, State Grants, Capital Lease Payable and Accrued Vacation. **Table 4** summarized the total outstanding long-term obligations of the City.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**Table 4
Outstanding Debt**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General obligation bonds	\$ 7,193,000	-	7,193,000
Special assessment bonds	315,000	-	315,000
Revenue bonds	-	11,955,000	11,955,000
Limited obligation bonds	4,466,000	-	4,466,000
Notes - Mississippi Development Bank	6,152,131	3,903,116	10,055,247
State grants	16,840	-	16,840
Capital leases payable	140,613	-	140,613
Compensated absences	<u>173,935</u>	<u>12,962</u>	<u>186,897</u>
Totals	\$ <u>18,457,519</u>	<u>15,871,078</u>	<u>34,328,597</u>

During the current fiscal year the City issued debt in the amount of \$5,290,877 for the following purposes:

Water and sewer system improvements - Hogg Creek Wastewater Facility Project	\$ 2,658,250
Street projects and YMCA land purchase	2,000,000
Municipal library complex - to cover final cost	<u>632,627</u>
	\$ <u>5,290,877</u>

The City paid \$1,338,478 in principal on outstanding debt during the year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As is the case with many governmental agencies, dated infrastructure can be a problem; however, over the past 10 years, the City has

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

taken a proactive stance in regard to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises.

Annually, the City's engineer inspects roadways and suggests the worst for repair. Over the past 10 years the City has expended an average of \$200,000 to \$300,000 annually on various roadway maintenance resurfacing projects. The 2003 roadway maintenance program is estimated at \$200,000. Additionally, over the past five years, the City has converted the last septic sanitary tank areas to sanitary sewer service. This development has been accomplished through the use of Federal EPA grant funding and a Mississippi Development Bank loan. The last 10 years have seen the construction of a new City Hall, Police & Justice Court Complex, new Fire Station, two new City Parks and a full service Municipal Library.

The City has also funded the purchase of over \$1 million dollars of public safety and public property vehicles and equipment over the past five years. Some of the items included in these purchases have been: two new fire trucks; an average of three new police cruisers per year; and a variety of pickup trucks, vans, trucks, low pro dump trucks, and other road and non-road equipment for our service and recreation departments. New network computer systems for the City's police department, municipal court system, and main administrative operations were also purchased throughout this time period.

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

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 dollar redevelopment project known as the Dogwood Festival Market Life Style Shopping Center. This center encompasses approximately

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

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, is scheduled for completion in late 2004 and 2005 and developers have plans for another shopping center and hotel to be built on the Northwest corner, known as The Lakeland Commons.

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,281,371	712,393	5,993,764
Investments	130,918	54,929	185,847
Receivables (net, where appli- cable, of allowances for uncollectibles):			
Accounts	1,186,105	284,944	1,471,049
Taxes	560,796	-	560,796
Accrued interest	140	174	314
Special assessments:			
Current	3,318	6,543	9,861
Long-term	50,430	92,059	142,489
Other	31,718	-	31,718
Internal balances	1,340,795	(1,340,795)	-
Due from other governments	10	-	10
Note receivable from property owner	581,984	-	581,984
Prepays	29,671	-	29,671
Restricted assets:			
Cash and cash equivalents	-	353,662	353,662
Investments	-	63,836	63,836
Deferred debt expense (net of accumulated amortization)	166,394	742,372	908,766
Advances to capital projects for construction	-	627,730	627,730
Capital assets:			
Land	1,494,996	179,181	1,674,177
Buildings	6,932,734	-	6,932,734
Improvements other than buildings	1,503,622	-	1,503,622
Machinery and equipment	2,656,959	862,929	3,519,888
Water distribution systems	-	23,393,233	23,393,233
Golf course facilities	-	4,196,539	4,196,539
Infrastructure	59,983,511	-	59,983,511
Construction in progress	<u>6,581,520</u>	<u>11,725,798</u>	<u>18,307,318</u>
	79,153,342	40,357,680	119,511,022
Less accumulated depreciation	<u>(40,418,044)</u>	<u>(8,001,147)</u>	<u>(48,419,191)</u>
Total capital assets, net	<u>38,735,298</u>	<u>32,356,533</u>	<u>71,091,831</u>
 Total assets	 \$ <u>48,098,948</u>	 <u>33,954,380</u>	 <u>82,053,328</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,471,526	226,477	1,698,003
Accrued liabilities	113,150	24,575	137,725
Accrued interest payable	185,493	234,544	420,037
Retainage payable	101,504	-	101,504
Customer deposits	-	185,424	185,424
Deferred revenue	84,491	-	84,491
Due to other governments	581,984	-	581,984
Noncurrent liabilities:			
Due within one year:			
Compensated absences	8,697	648	9,345
Loans and leases payable	366,512	222,781	589,293
Bonds payable	910,000	310,000	1,220,000
Claims payable	49,418	24,875	74,293
Due in more than one year:			
Compensated absences	165,238	12,314	177,552
Loans and leases payable	5,943,072	3,680,335	9,623,407
Bonds payable	<u>11,064,000</u>	<u>11,645,000</u>	<u>22,709,000</u>
Total liabilities	<u>21,045,085</u>	<u>16,566,973</u>	<u>37,612,058</u>
<u>NET ASSETS</u>			
Invested in capital assets (net of related debt)	20,451,714	16,498,417	36,950,131
Restricted for:			
Capital projects	331,314	-	331,314
Debt service	1,058,299	232,074	1,290,373
Unrestricted	<u>5,212,536</u>	<u>656,916</u>	<u>5,869,452</u>
 Total net assets	 \$ <u>27,053,863</u>	 <u>17,387,407</u>	 <u>44,441,270</u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contri- butions</u>	<u>Capital Grants and Contri- butions</u>
Governmental activities:				
General government	\$ 834,741	266,823	-	4,209,069
Public safety	4,729,853	773,758	-	62,555
Public property maintenance	292,976	-	-	-
Sanitation	158,214	-	-	-
Health	59,815	-	-	-
Street maintenance	1,408,124	-	-	-
Recreation	453,390	-	-	-
Shop and maintenance	248,543	-	-	-
Interest on long-term debt	448,146	-	-	-
Total governmental activities	<u>8,633,802</u>	<u>1,040,581</u>	<u>-</u>	<u>4,271,624</u>
Business-type activities:				
Golf course	1,269,843	734,854	-	-
Water and sewer	<u>3,041,589</u>	<u>3,023,453</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>4,311,432</u>	<u>3,758,307</u>	<u>-</u>	<u>-</u>
Total government	\$ <u>12,945,234</u>	<u>4,798,888</u>	<u>-</u>	<u>4,271,624</u>

General revenues:

 Taxes:

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

 Total general revenues

 Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Assets

<u>Governmental Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
3,641,151	-	3,641,151
(3,893,540)	-	(3,893,540)
(292,976)	-	(292,976)
(158,214)	-	(158,214)
(59,815)	-	(59,815)
(1,408,124)	-	(1,408,124)
(453,390)	-	(453,390)
(248,543)	-	(248,543)
<u>(448,146)</u>	<u>-</u>	<u>(448,146)</u>
<u>(3,321,597)</u>	<u>-</u>	<u>(3,321,597)</u>
-	(534,989)	(534,989)
<u>-</u>	<u>(18,136)</u>	<u>(18,136)</u>
-	(553,125)	(553,125)
<u>(3,321,597)</u>	<u>(553,125)</u>	<u>(3,874,722)</u>
2,356,790	-	2,356,790
94,132	-	94,132
5,213,633	-	5,213,633
314,599	-	314,599
236,596	-	236,596
424,956	-	424,956
8,461	-	8,461
899,581	-	899,581
31,592	10,280	41,872
76,127	-	76,127
<u>(371,800)</u>	<u>371,800</u>	<u>-</u>
<u>9,284,667</u>	<u>382,080</u>	<u>9,666,747</u>
5,963,070	(171,045)	5,792,025
<u>21,090,793</u>	<u>17,558,452</u>	<u>38,649,245</u>
\$ <u>27,053,863</u>	<u>17,387,407</u>	<u>44,441,270</u>

CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003**

	<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	\$ 2,837,083	753,631	1,200,777
Investments	-	130,918	-
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	-	-	-
Taxes	480,947	68,291	8,899
Interest	-	140	-
Special assessments:			
Current	-	-	3,318
Deferred	-	-	50,430
Other	31,718	-	-
Due from other funds	1,482,118	331,367	250,088
Due from other governments	-	-	-
Note receivable from property owner	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>4,831,866</u>	<u>1,284,347</u>	<u>1,513,512</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 303,838	-	-
Accrued liabilities	113,150	-	-
Retainage payable	-	-	-
Deferred revenue	83,759	-	50,550
Due to other funds	103,452	5,000	404,663
Due to other governments	-	-	-
Total liabilities	<u>604,199</u>	<u>5,000</u>	<u>455,213</u>
Fund balances:			
Reserved for:			
Capital projects	-	-	-
Debt service	-	-	1,058,299
Unreserved, undesignated in:			
General fund	4,227,667	-	-
Special revenue funds	-	1,279,347	-
Total fund balances	<u>4,227,667</u>	<u>1,279,347</u>	<u>1,058,299</u>
Total liabilities and fund balances	\$ <u>4,831,866</u>	<u>1,284,347</u>	<u>1,513,512</u>

The accompanying notes are an integral part of this statement.

<u>Bridge and Street Improvements</u>	<u>Hogg Creek Wastewater Facility</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
426,232	6,063	56,666	5,280,452
-	-	-	130,918
1,013,256	45,822	-	1,059,078
-	-	2,659	560,796
-	-	-	140
-	-	-	3,318
-	-	-	50,430
-	-	-	31,718
26,228	591,117	-	2,680,918
-	-	-	-
<u>-</u>	<u>-</u>	<u>581,984</u>	<u>581,984</u>
<u>1,465,716</u>	<u>643,002</u>	<u>641,309</u>	<u>10,379,752</u>
1,152,888	14,800	-	1,471,526
-	-	-	113,150
101,504	-	-	101,504
-	-	732	135,041
508,254	-	35,580	1,056,949
-	-	<u>581,984</u>	<u>581,984</u>
<u>1,762,646</u>	<u>14,800</u>	<u>618,296</u>	<u>3,460,154</u>
(296,930)	628,202	42	331,314
-	-	-	1,058,299
-	-	-	4,227,667
-	-	<u>22,971</u>	<u>1,302,318</u>
<u>(296,930)</u>	<u>628,202</u>	<u>23,013</u>	<u>6,919,598</u>
<u>1,465,716</u>	<u>643,002</u>	<u>641,309</u>	<u>10,379,752</u>

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003**

Total fund balances - governmental funds **\$ 6,919,598**

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

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

Governmental capital assets	79,153,342	
Less accumulated depreciation	(40,418,044)	38,735,298

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.

50,550

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

196,065

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

(204,636)

Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities consist of:

General obligation bonds	(7,193,000)	
Special assessment bonds	(315,000)	
Limited obligation bonds	(4,466,000)	
Notes	(6,152,131)	
State grants	(16,840)	
Capital lease obligations	(140,613)	
Accrued interest payable	(185,493)	
Compensated absences	(173,935)	(18,643,012)

Net assets of governmental activities **\$ 27,053,863**

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 1,510,199	-	833,508
Prior years ad valorem	8,731	-	4,352
Interest and penalties on taxes	8,461	-	-
Special assessments	-	-	135,290
Franchise fees	236,596	-	-
Licenses and permits	253,494	-	-
Intergovernmental	5,574,733	763,118	81,227
Charges for services	13,329	-	-
Fines and forfeits	746,022	-	-
Interest earned	21,871	5,136	1,800
Miscellaneous	<u>76,127</u>	<u>-</u>	<u>-</u>
Total revenues	<u>8,449,563</u>	<u>768,254</u>	<u>1,056,177</u>
EXPENDITURES:			
Current:			
General government	709,742	-	-
Public safety	4,435,545	-	-
Public property maintenance	342,415	-	-
Sanitation	158,214	-	-
Health	59,815	-	-
Street maintenance	785,834	-	-
Recreation	358,381	-	-
Capital projects	-	-	-
Shop and maintenance	240,642	-	-
Debt service:			
Principal	94,998	-	843,615
Interest and other fiscal charges	9,844	-	503,498
Total expenditures	<u>7,195,430</u>	<u>-</u>	<u>1,347,113</u>
Excess (deficiency) of revenues over (under) expenditures	1,254,133	768,254	(290,936)
Other financing sources (uses):			
Operating transfers in	-	-	763,572
Operating transfers out	(488,724)	(371,800)	-
Proceeds from promissory note - Mississippi Development Bank	<u>632,627</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>143,903</u>	<u>(371,800)</u>	<u>763,572</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,398,036	396,454	472,636
Fund balance at beginning of year	<u>2,829,631</u>	<u>882,893</u>	<u>585,663</u>
Fund balance at end of year	\$ <u>4,227,667</u>	<u>1,279,347</u>	<u>1,058,299</u>

The accompanying notes are an integral part of this statement.

<u>Bridge and Street Improvements</u>	<u>Hogg Creek Wastewater Facility</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	-	2,343,707
-	-	-	13,083
-	-	-	8,461
-	-	-	135,290
-	-	-	236,596
-	-	-	253,494
4,209,069	-	496,245	11,124,392
-	-	-	13,329
-	-	27,736	773,758
2,086	472	227	31,592
-	-	-	76,127
<u>4,211,155</u>	<u>472</u>	<u>524,208</u>	<u>15,009,829</u>
-	-	-	709,742
-	-	67,531	4,503,076
-	-	-	342,415
-	-	-	158,214
-	-	-	59,815
-	-	433,690	1,219,524
-	-	-	358,381
5,963,165	2,030,520	708,290	8,701,975
-	-	-	240,642
-	-	-	938,613
-	-	-	513,342
<u>5,963,165</u>	<u>2,030,520</u>	<u>1,209,511</u>	<u>17,745,739</u>
(1,752,010)	(2,030,048)	(685,303)	(2,735,910)
80,000	-	-	843,572
-	-	(354,847)	(1,215,371)
<u>1,291,710</u>	<u>2,658,250</u>	<u>708,290</u>	<u>5,290,877</u>
<u>1,371,710</u>	<u>2,658,250</u>	<u>353,443</u>	<u>4,919,078</u>
(380,300)	628,202	(331,860)	2,183,168
<u>83,370</u>	<u>-</u>	<u>354,873</u>	<u>4,736,430</u>
<u>(296,930)</u>	<u>628,202</u>	<u>23,013</u>	<u>6,919,598</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, 2003**

Net change in fund balances - total governmental funds		\$ 2,183,168
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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:</p>		
Expenditures for capital assets	\$ 8,945,330	
Less current year depreciation expense	<u>(598,072)</u>	8,347,258
Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years.		(41,158)
Premiums, discounts and deferred charges are amortized in the governmental activities, but were recognized in full in the governmental funds.		171,065
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		938,613
Governmental funds report the issuance of debt as an other financing source. In the governmental activities, however, the issuance of debt is reflected as a liability instead.		(5,290,877)
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.		(230,507)
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	(101,198)	
Change in long-term compensated absences	<u>(13,294)</u>	<u>(114,492)</u>
Change in net assets of governmental activities		\$ <u>5,963,070</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 SEPTEMBER 30, 2003**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	Internal Service Fund
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 481,632	230,761	712,393	919
Investments	54,929	-	54,929	-
Receivables (net of allowance for uncollectibles, where applicable):				
Accounts	254,916	30,028	284,944	127,027
Accrued interest	174	-	174	-
Special assessment	-	6,543	6,543	-
Due from other funds	<u>102,570</u>	<u>-</u>	<u>102,570</u>	<u>-</u>
Total current assets	<u>894,221</u>	<u>267,332</u>	<u>1,161,553</u>	<u>127,946</u>
Restricted assets:				
Customer deposits	185,424	-	185,424	-
Revenue bond future debt service account	12,656	105,113	117,769	-
Principal reserve escrow account	<u>114,305</u>	<u>-</u>	<u>114,305</u>	<u>-</u>
Total restricted assets	<u>312,385</u>	<u>105,113</u>	<u>417,498</u>	<u>-</u>
Other assets:				
Deferred debt expense (net of accumulated amortization)	244,871	497,501	742,372	-
Advances to capital projects for construction	627,730	-	627,730	-
Special assessment receivable	<u>-</u>	<u>92,059</u>	<u>92,059</u>	<u>-</u>
Total other assets	<u>872,601</u>	<u>589,560</u>	<u>1,462,161</u>	<u>-</u>
Property, plant and equipment:				
Land	179,181	-	179,181	-
Machinery and equipment	862,929	-	862,929	-
Water distribution system	23,393,233	-	23,393,233	-
Golf course facilities	<u>-</u>	<u>4,196,539</u>	<u>4,196,539</u>	<u>-</u>
	24,435,343	4,196,539	28,631,882	-
Less accumulated depreciation	<u>(6,648,728)</u>	<u>(1,352,419)</u>	<u>(8,001,147)</u>	<u>-</u>
	17,786,615	2,844,120	20,630,735	-
Construction in progress	<u>11,725,798</u>	<u>-</u>	<u>11,725,798</u>	<u>-</u>
Net property, plant and equipment	<u>29,512,413</u>	<u>2,844,120</u>	<u>32,356,533</u>	<u>-</u>
Total assets	\$ <u>31,591,620</u>	\$ <u>3,806,125</u>	\$ <u>35,397,745</u>	\$ <u>127,946</u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS - CONTINUED:
 PROPRIETARY FUND
 SEPTEMBER 30, 2003**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 210,750	15,727	226,477	-
Accrued interest payable	122,679	111,865	234,544	-
Accrued compensated absences	648	-	648	-
Accrued liabilities	2,993	21,582	24,575	74,293
Due to other funds	1,029,217	414,148	1,443,365	283,164
Notes payable - current	222,781	-	222,781	-
Revenue bonds payable - current	<u>205,000</u>	<u>105,000</u>	<u>310,000</u>	<u>-</u>
Total current liabilities	<u>1,794,068</u>	<u>668,322</u>	<u>2,462,390</u>	<u>357,457</u>
Current liabilities payable from restricted assets:				
Customer deposits	<u>185,424</u>	<u>-</u>	<u>185,424</u>	<u>-</u>
Long-term liabilities:				
Compensated absences	12,314	-	12,314	-
Notes payable - net of current portion	3,680,335	-	3,680,335	-
Revenue bonds - net of current portion	<u>7,120,000</u>	<u>4,525,000</u>	<u>11,645,000</u>	<u>-</u>
Total long-term liabilities	<u>10,812,649</u>	<u>4,525,000</u>	<u>15,337,649</u>	<u>-</u>
Total liabilities	<u>12,792,141</u>	<u>5,193,322</u>	<u>17,985,463</u>	<u>357,457</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	18,284,297	(1,785,880)	16,498,417	-
Restricted for debt service	126,961	105,113	232,074	-
Unrestricted	<u>388,221</u>	<u>293,570</u>	<u>681,791</u>	<u>(229,511)</u>
Total net assets	\$ <u>18,799,479</u>	<u>(1,387,197)</u>	17,412,282	<u>(229,511)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(24,875)</u>	
Net assets of business-type activities			\$ <u>17,387,407</u>	

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
OPERATING REVENUES:				
Water sales	\$ 1,155,752	-	1,155,752	-
Sewer charges	1,499,330	-	1,499,330	-
Tap fees and connection fees	349,607	-	349,607	-
Late fees	18,764	-	18,764	-
Health and dental contributions	-	-	-	417,026
Golf course revenue	-	<u>734,854</u>	<u>734,854</u>	<u>-</u>
Total operating revenues	<u>3,023,453</u>	<u>734,854</u>	<u>3,758,307</u>	<u>417,026</u>
OPERATING EXPENSES:				
Personal services	591,881	-	591,881	-
Supplies	169,844	-	169,844	-
Other services and charges	989,409	-	989,409	-
Depreciation	827,915	289,948	1,117,863	-
Claims expense	-	-	-	672,626
Golf course expenses	-	<u>703,605</u>	<u>703,605</u>	<u>-</u>
Total operating expenses	<u>2,579,049</u>	<u>993,553</u>	<u>3,572,602</u>	<u>672,626</u>
OPERATING INCOME (LOSS)	<u>444,404</u>	<u>(258,699)</u>	<u>185,705</u>	<u>(255,600)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	3,319	6,961	10,280	218
Bond interest and fiscal charges	(437,665)	(269,089)	(706,754)	-
Amortization of bond issue cost	-	(7,201)	(7,201)	-
Operating transfers in (out)	-	<u>371,800</u>	<u>371,800</u>	<u>-</u>
Total non-operating expenses	<u>(434,346)</u>	<u>102,471</u>	<u>(331,875)</u>	<u>218</u>
INCOME BEFORE CONTRIBUTIONS	10,058	(156,228)	(146,170)	(255,382)
Capital contributions	-	-	-	-
CHANGE IN NET ASSETS	10,058	(156,228)	(146,170)	(255,832)
NET ASSETS AT BEGINNING OF YEAR	<u>18,789,421</u>	<u>(1,230,969)</u>	<u>17,558,452</u>	<u>25,871</u>
NET ASSETS AT END OF YEAR	\$ <u>18,799,479</u>	<u>(1,387,197)</u>	<u>17,412,282</u>	<u>(229,511)</u>
Net change in net assets - total proprietary funds			\$ (146,170)	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(24,875)</u>	
Net change in net assets of business-type activities			\$ <u>(171,045)</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, 2003**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 3,043,585	734,213	3,777,798	-
Health and dental contributions received	-	-	-	417,026
Cash paid to suppliers and employees	(2,092,152)	(721,346)	(2,813,498)	(416,434)
Net cash provided by operating activities	<u>951,433</u>	<u>12,867</u>	<u>964,300</u>	<u>592</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfer in	-	247,871	247,871	-
Net cash provided by non-capital financing activities	-	<u>247,871</u>	<u>247,871</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds and notes	2,658,250	-	2,658,250	-
Principal paid on bonds and notes	(305,135)	(95,000)	(400,135)	-
Increase in amount due to other funds	1,387,377	-	1,387,377	-
Interest paid on bonds and notes	(431,535)	(272,156)	(703,691)	-
Acquisition of fixed assets	(3,189,211)	-	(3,189,211)	-
Advances to capital projects for construction	(627,730)	-	(627,730)	-
Net cash used for capital and related financing activities	<u>(507,984)</u>	<u>(367,156)</u>	<u>(875,140)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale (purchases) of investments - net	(1,692)	-	(1,692)	-
Earnings on invested proceeds	<u>3,522</u>	<u>26,828</u>	<u>30,350</u>	<u>218</u>
Net cash provided by investing activities	<u>1,830</u>	<u>26,828</u>	<u>28,658</u>	<u>218</u>
Net increase (decrease) in cash	445,279	(79,590)	365,689	810
Cash and cash equivalents - beginning of year (including \$233,884 in restricted accounts)	<u>284,902</u>	<u>415,464</u>	<u>700,366</u>	<u>109</u>
Cash and cash equivalents - end of year (including \$353,662 in restricted accounts)	\$ <u><u>730,181</u></u>	<u><u>335,874</u></u>	<u><u>1,066,055</u></u>	<u><u>919</u></u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ <u>444,404</u>	(<u>258,699</u>)	<u>185,705</u>	(<u>255,600</u>)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	827,915	289,948	1,117,863	-
(Increase) decrease in:				
Accounts receivable	2,411	(641)	1,770	(58,545)
Increase (decrease) in:				
Accounts payable	(298,079)	(17,741)	(315,820)	-
Accrued liabilities	(42,939)	-	(42,939)	10,491
Due to other funds	-	-	-	304,246
Customer deposits	<u>17,721</u>	<u>-</u>	<u>17,721</u>	<u>-</u>
Total adjustments	<u>507,029</u>	<u>271,566</u>	<u>778,595</u>	<u>256,192</u>
Net cash provided by operating activities	\$ <u>951,433</u>	<u>12,867</u>	<u>964,300</u>	<u>592</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET ASSETS
AIRPORT PARKWAY COMMISSION AGENCY FUND
SEPTEMBER 30, 2003**

ASSETS:

Cash and cash equivalents	\$ 292,877
Receivable - intergovernmental	<u>604,583</u>
Total assets	\$ <u>897,460</u>

LIABILITIES:

Accounts payable	\$ 604,583
Escrow deposits	<u>10</u>
Total liabilities	<u>604,593</u>

FUND BALANCE:

Reserved for construction cost	<u>292,867</u>
Total liabilities and equity	\$ <u>897,460</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Individual Component Unit Disclosures

Blended Component Units

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

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

B. Implementation of New Accounting Standards

Governmental Accounting Standards Board Statement No. 34

For the fiscal year ended September 30, 2003, the City implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). This statement affects the manner in which the City records transactions and presents financial information.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management's Discussion and Analysis - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net assets and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of the City are broken down into three categories -- 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the Statement of Net Assets and has reported all revenues and the cost of providing services

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

under the accrual basis of accounting in the Statement of Activities. Implementation of GASB 34 has had a significant impact on the City's financial statements for the year ended September 30, 2003.

Governmental Accounting Standards Board Statement No. 37

For the fiscal year ended September 30, 2003, the City implemented GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

Governmental Accounting Standards Board Interpretation No. 6

For the fiscal year ended September 30, 2003, the City implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB 34, but has no direct effect on the government-wide financial statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of September 30, 2003. The City also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

C. Basic Financial Statements

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

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

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

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City, in general, considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as 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.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

The City reports the following major governmental funds:

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

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

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

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

The **Hogg Creek Wastewater Facility Fund** is used to account for financial resources to be used for the construction of improvements to the City's sewer system.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund of the City are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

E. Budgets and Budgetary Accounting

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

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

The governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

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

F. Capital Assets

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

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

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

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

G. Compensated Absences

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. Vacation days earned are to be used by the end of the calendar year. An accrual of \$186,897 has been made in the Statement of Net Assets for vacation time available at September 30, 2003 that can be taken by December 31, 2003. No liability is recorded for nonvesting accumulating rights to receive sick pay.

H. Capitalization of Interest

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

I. 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

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

J. Reclassification

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

NOTE 2 - PROPERTY TAX

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own public utility taxes. Real, personal property and automobile ad valorem taxes and certain road taxes are collected by the tax collector of Rankin County and are disbursed to the City accordingly. Current collections of real, public utility, and personal property taxes for the year ended September 30, 2003, were approximately 95.0% of the total tax levy.

The tax rate levied by the City for 2003 was set at 20.60 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 1.38
G. O. Public Improvement	.10
G. O. Road Improvement	.25
G. O. Refunding Bonds	<u>.33</u>
	\$ <u>2.06</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2003:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 2,837,083	-	-	-	2,837,083
Recreation and Tourism special tax fund	753,631	130,918	-	-	884,549
City-wide debt service	1,200,777	-	-	-	1,200,777
Bridge and street improvements	426,232	-	-	-	426,232
Hogg Creek Waste- water Facility	6,063	-	-	-	6,063
Nonmajor govern- mental funds	<u>56,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,666</u>
Total governmen- tal activities	<u>5,280,452</u>	<u>130,918</u>	<u>-</u>	<u>-</u>	<u>5,411,370</u>
Business-type activities:					
Water and sewer fund	481,632	54,929	248,549	63,836	848,946
Golf course fund	<u>230,761</u>	<u>-</u>	<u>105,113</u>	<u>-</u>	<u>335,874</u>
Total business- type activities	<u>712,393</u>	<u>54,929</u>	<u>353,662</u>	<u>63,836</u>	<u>1,184,820</u>
Government-wide total	5,992,845	185,847	353,662	63,836	6,596,190
Fiduciary fund	<u>292,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,877</u>
Total cash and investments	<u>\$ 6,285,722</u>	<u>185,847</u>	<u>353,662</u>	<u>63,836</u>	<u>6,889,067</u>

In accordance with GASB Statement No. 3, deposits and investments, including repurchase agreements, are categorized separately to give an indication of the level of custodial risk assumed by the City. The City's deposits and investments are categorized in the following manner:

Category 1

Includes deposits that are insured or collateralized with securities held by the City or by its agent in the City's name, and investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Category 2

Includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3

Includes deposits that are uncollateralized, and uninsured and unregistered investments for which the securities are held by the counterparty for the counterparty's trust department or agent but not in the City's name.

At September 30, 2003, the carrying amount of the City's deposits was \$6,639,384 and the bank balance was \$6,866,814. The difference of \$227,430 was principally due to outstanding checks. The carrying amount included \$6,639,056 in demand deposit accounts and \$328 in petty cash. Of the bank balance, \$132,772 was covered by Federal Depository Insurance and \$6,734,042 was collateralized by pledged securities held by the pledging financial institution's agent in the City's name (category 2).

NOTE 4 - RECEIVABLES

Receivables at September 30, 2003 for the City's individual major funds, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General Funds</u>	<u>Recrea- tion and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>	<u>Bridge and Street Improve- ments</u>	<u>Hogg Creek Waste- Water Facility</u>	<u>Water and Sewer Funds</u>	<u>Golf Course Fund</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Total</u>
Receivables:									
Accounts	\$ -	-	-	-	-	254,916	30,028	-	284,944
Taxes	480,947	68,291	8,899	-	-	-	-	2,659	560,796
Other	31,718	-	53,748	-	-	-	6,543	-	92,009
Accrued interest	-	140	-	-	-	174	-	-	314
Grants	-	-	-	1,013,256	45,822	-	-	-	1,059,078
Gross receiv- ables	512,665	68,431	62,647	1,013,256	45,822	255,090	36,571	2,659	1,997,141
Less: allow- ance for uncollec- tible ac- counts	-	-	-	-	-	-	-	-	-
Net total receivables	\$ <u>512,665</u>	<u>68,431</u>	<u>62,647</u>	<u>1,013,256</u>	<u>45,822</u>	<u>255,090</u>	<u>36,571</u>	<u>2,659</u>	<u>1,997,141</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 5 - NOTE RECEIVABLE FROM PROPERTY OWNER

During the fiscal year ended September 30, 2000, the City was awarded and authorized to expend on behalf of a limited liability company located within the City a Community Development Block Grant Loan from the Department of Economic and Community Development (DECD). The proceeds from the loan were used to purchase land and to construct a building to be owned by the company. The City executed a note agreement with the company in the amount of \$650,000. The note is due to the City in 216 monthly payments of \$4,928, including interest at 6.00%. The loan is collateralized by a first position deed of trust on the company's land and building.

In accordance with the grant agreement, the City has agreed to remit all payments received from the company to DECD until all principal and interest has been repaid. The liability to DECD is included on the combined balance sheet under the Capital Projects Funds as an intergovernmental payable.

NOTE 6 - CAPITAL ASSETS

Capital asset activities for the year ended September 30, 2003, were as follows:

	Balance at October 1, 2002 <u>as Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2003 <u> </u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 766,051	728,945	-	1,494,996
Construction in progress	<u>5,467,842</u>	<u>5,963,165</u>	<u>(4,849,487)</u>	<u>6,581,520</u>
Total	<u>6,233,893</u>	<u>6,692,110</u>	<u>(4,849,487)</u>	<u>8,076,516</u>
Depreciable assets:				
Buildings	6,932,734	-	-	6,932,734
Improvements other than buildings	1,503,622	-	-	1,503,622
Machinery and equipment	2,434,259	222,700	-	2,656,959
Infrastructure	<u>57,592,498</u>	<u>2,391,013</u>	<u>-</u>	<u>59,983,511</u>
Total	<u>68,463,113</u>	<u>2,613,713</u>	<u>-</u>	<u>71,076,826</u>
Total capital assets	\$ <u>74,697,006</u>	<u>9,305,823</u>	<u>(4,849,487)</u>	<u>79,153,342</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

	Balance at October 1, 2002 <u>as Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2003 <u>2003</u>
Less accumulated depreciation for:				
Buildings	\$ (255,953)	(110,924)	-	(366,877)
Improvements other than buildings	(300,489)	(60,145)	-	(360,634)
Machinery and equipment	(1,626,148)	(251,640)	-	(1,877,788)
Infrastructure	<u>(37,637,382)</u>	<u>(175,363)</u>	<u>-</u>	<u>(37,812,745)</u>
Total accumulated depreciation	<u>(39,819,972)</u>	<u>(598,072)</u>	<u>-</u>	<u>(40,418,044)</u>
Total governmental activities - capital assets, net	\$ <u>34,877,034</u>	<u>8,707,751</u>	<u>(4,849,487)</u>	<u>38,735,298</u>

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

General government	\$ 115,717
Public safety	177,347
Public property maintenance	15,078
Street maintenance	206,631
Recreation	81,776
Shop and maintenance	<u>1,523</u>
 Total depreciation expense - governmental activities	 \$ <u>598,072</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

	<u>Balance at October 1, 2002 as Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2003</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 179,181	-	-	179,181
Construction in progress	<u>10,960,519</u>	<u>935,499</u>	<u>(170,220)</u>	<u>11,725,798</u>
Total	<u>11,139,700</u>	<u>935,499</u>	<u>(170,220)</u>	<u>11,904,979</u>
Business-type activities - continued:				
Depreciable assets:				
Machinery and equipment	776,460	86,469	-	862,929
Water distribution systems	21,054,330	2,338,903	-	23,393,233
Golf course facili- ties	<u>4,196,539</u>	<u>-</u>	<u>-</u>	<u>4,196,539</u>
Total	<u>26,027,329</u>	<u>2,425,372</u>	<u>-</u>	<u>28,452,701</u>
Total capital assets	<u>37,167,029</u>	<u>3,360,871</u>	<u>(170,220)</u>	<u>40,357,680</u>
Less accumulated deprecia- tion for:				
Machinery and equip- ment	(483,924)	(124,677)	-	(608,601)
Water distribution systems	(5,336,889)	(703,238)	-	(6,040,127)
Golf course facilities	<u>(1,081,148)</u>	<u>(271,271)</u>	<u>-</u>	<u>(1,352,419)</u>
Total accumula- ted deprecia- tion	<u>(6,901,961)</u>	<u>(1,099,186)</u>	<u>-</u>	<u>(8,001,147)</u>
Total business-type activities capital assets, net	\$ <u>30,265,068</u>	<u>2,261,685</u>	<u>(170,220)</u>	<u>32,356,533</u>

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

Golf course	\$ 271,271
Water and sewer	<u>827,915</u>
 Total depreciation expense - business-type activities	 \$ <u>1,099,186</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 7 - CAPITAL LEASE OBLIGATIONS

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

The fire trucks acquired through the capital leases are as follows as of September 30, 2003:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 431,822
Less accumulated depreciation	<u>(355,121)</u>
Total	\$ <u>76,701</u>

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at September 30, 2003:

	<u>Governmental Activities</u>
Fiscal year ending September 30:	
2004	\$ 83,557
2005	62,866
2006	<u>915</u>
Total	147,338
Less amount representing interest	<u>(6,725)</u>
Present value of net minimum lease payments	\$ <u>140,613</u>

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2003:

	Beginning Balance October 1, <u>2002</u>	Additions/ <u>Proceeds</u>	Reductions/ <u>Payments</u>	Ending Balance September <u>30, 2003</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 7,851,000	-	658,000	7,193,000	672,000
Special assessment bonds	420,000	-	105,000	315,000	110,000

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

	Beginning Balance October 1, <u>2002</u>	Additions/ <u>Proceeds</u>	Reductions/ <u>Payments</u>	Ending Balance September <u>30, 2003</u>	Due Within <u>One Year</u>
Governmental activities - continued:					
Limited obligation bonds	\$ 4,497,000	-	31,000	4,466,000	128,000
Notes	3,557,760	2,632,627	38,256	6,152,131	276,820
State grants	28,199	-	11,359	16,840	11,359
Capital lease obligations	235,611	-	94,998	140,613	78,333
Compensated absences	<u>160,641</u>	<u>13,294</u>	<u>-</u>	<u>173,935</u>	<u>8,697</u>
Governmental activities total	<u>16,750,211</u>	<u>2,645,921</u>	<u>938,613</u>	<u>18,457,519</u>	<u>1,285,209</u>
Business-type activities:					
Revenue bonds	12,245,000	-	290,000	11,955,000	310,000
Notes	1,355,001	2,658,250	110,135	3,903,116	222,781
Compensated absences	<u>12,914</u>	<u>48</u>	<u>-</u>	<u>12,962</u>	<u>648</u>
Business-type activities total	<u>13,612,915</u>	<u>2,658,298</u>	<u>400,135</u>	<u>15,871,078</u>	<u>533,429</u>
Government-wide total	\$ <u>30,363,126</u>	<u>5,304,219</u>	<u>1,338,748</u>	<u>34,328,597</u>	<u>1,818,638</u>

Debt service requirements at September 30, 2003 were as follows:

Fiscal Year Ended September 30, 2003	<u>Governmental Activities</u>							
	<u>General Obligation Bonds</u>		<u>Special Assessment and Limited Obligation Bonds</u>		<u>Capital Leases, Notes Payable and State Grants</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 672,000	286,297	238,000	275,502	366,512	140,644	1,276,512	702,443
2005	689,000	255,770	235,000	257,364	348,103	130,166	1,272,103	643,300
2006	653,000	227,554	248,000	241,526	286,450	122,204	1,187,450	591,284
2007	667,000	200,406	175,000	224,121	289,954	115,593	1,131,954	540,120
2008	578,000	174,875	186,000	213,445	294,266	109,182	1,058,266	497,502
2009-2013	2,184,000	598,556	1,039,000	884,920	1,492,291	440,313	4,715,291	1,923,789
2014-2018	1,500,000	210,501	1,210,000	581,237	1,568,100	271,181	4,278,100	1,062,919
2019-2023	<u>250,000</u>	<u>5,937</u>	<u>1,450,000</u>	<u>245,751</u>	<u>1,663,908</u>	<u>92,945</u>	<u>3,363,908</u>	<u>344,633</u>
	\$ <u>7,193,000</u>	<u>1,959,896</u>	<u>4,781,000</u>	<u>2,923,866</u>	<u>6,309,584</u>	<u>1,422,228</u>	<u>18,283,584</u>	<u>6,305,990</u>

Fiscal Year Ended September 30, 2003	<u>Business-Type Activities</u>					
	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 310,000	632,443	222,781	101,526	532,781	733,969
2005	330,000	610,388	229,639	94,663	559,639	705,051
2006	350,000	587,091	236,558	87,744	586,558	674,835
2007	370,000	562,224	243,701	80,603	613,701	642,827
2008	395,000	535,921	250,937	73,366	645,937	609,287
2009-2013	2,350,000	2,312,958	1,231,456	249,368	3,581,456	2,562,326
2014-2018	3,090,000	1,659,519	707,724	126,719	3,797,724	1,786,238
2019-2023	4,070,000	791,812	780,320	44,789	4,850,320	836,601
Thereafter	<u>690,000</u>	<u>40,249</u>	<u>-</u>	<u>-</u>	<u>690,000</u>	<u>40,249</u>
	\$ <u>11,955,000</u>	<u>7,732,605</u>	<u>3,903,116</u>	<u>858,778</u>	<u>15,858,116</u>	<u>8,591,383</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Bonds and notes payable at September 30, 2003 are comprised of the following individual issues:

General Obligation Bonds:

\$300,000 1979 Public Improvement Water Bonds due in annual installments of \$12,000 payable on 5-01 of each year through 5-1-94; and \$15,000 each year beginning 5-1-95 through 5-1-2004; and interest at 6.00% to 6.25% payable on 11-1 and 5-1 of each year.	\$ 15,000
\$865,000 1988 Public Improvement Bonds due in annual installments of \$20,000 to \$85,000 payable on 4-15 of each year through 4-15-2008; and interest at 7.70% to 8.5% payable on 4-15 and 10-15 of each year.	355,000
\$4,461,000 2002 Refunding Bonds due in annual installments of \$190,000 to \$494,000 payable on 3-1 of each year through 3-1-2015; and interest at 3.75% to 5.00% payable on 3-1 and 9-1 of each year.	3,983,000
\$3,250,000 1999 Roadway Improvement Bonds due in annual installments of \$95,000 to \$250,000 payable on 1-1 of each year through 1-1-2019; and interest at 4.25% to 4.75% payable on 1-1 and 7-1 of each year.	<u>2,840,000</u>
	\$ <u>7,193,000</u>

Revenue Bonds:

\$4,725,000 Mississippi Development Bank Special Obligation Bonds, Series 1999, due in annual installments beginning 11-1-2002 with the annual principal payments increasing to a final payment of \$355,000 due 11-1-2024; and interest at 5.00% to 7.75% is payable on 5-1 and 11-1 of each year.	\$ 4,630,000
---	--------------

In November 1999 the City issued the Mississippi Development Bank Special Obligation Bonds, Series 1999, to advance refund and defease the outstanding 1997 Golf Course Urban Renewal Bonds in

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Revenue Bonds - continued:

the amount of \$4,600,000. The difference between the reacquisition price and the net carrying amount of the proprietary refunded debt in the amount of \$414,954 has been capitalized and is to be amortized over the term of the refunded debt using a method that approximates the effective interest method (see Note (13) for additional information).

\$8,200,000 1998 Combined Water and Sewer System Revenue Bonds due in annual installments of \$160,000 beginning 6-01-99 with the annual principal payments increasing to a final payment of \$590,000 due 6-1-2023; and interest at 5.50% payable on 6-1 and 12-1 of each year. \$ 7,325,000

\$ 11,955,000

Special Assessment Bonds:

\$500,000 1985 Special Tax Fire Protection Bonds due in annual installments of \$10,000 to \$50,000, payable on 10-1 of each year through 10-1-2004; and interest at 10.25% to 11.00% payable on 4-1 and 10-1 of each year. \$ 95,000

\$750,000 1986 Special Improvement Pollution Abatement Bonds due in annual installments of \$10,000 to \$80,000, payable on 8-15 of each year through 8-15-2006; and interest at 8.00% to 10.125% payable on 2-15 and 8-15 of each year. 220,000

\$ 315,000

Limited Obligation Bonds:

\$132,000 1995 Tax Increment Limited Obligation Bonds due in annual installments of \$6,000 to \$12,000; and interest at 6.00% payable on 4-1 of each year through April 2010. \$ 74,000

\$112,000 1999 Tax Increment Financing Bonds due in annual installments of \$6,000 to \$14,000; and interest at 7.125% payable on 4-1 of each year through April 2011. 85,000

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds - continued:

\$325,000 2001 Tax Increment Financing Bond due in annual installments of \$7,000 to \$31,000 payable on 4-1-2002 through 4-1-2016; and interest at 5.625% payable on 10-1 and 4-1 of each year beginning with 4-1-2002 and ending with 4-1-2016.	\$ 302,000
\$4,005,000 2001 Tax Increment Financing Bond due in annual installments of \$55,000 to \$320,000 payable 4-1-2004 through 4-1-2023; and interest varying annually from 4.85% to 6.40% payable on 10-1 and 4-1 of each year beginning with 10-1-2001 and ending with 4-1-2023.	<u>4,005,000</u>
	\$ <u>4,466,000</u>

Notes:

Note payable to the Mississippi Development Bank on \$4,500,000 loan commitment funded from proceeds of Special Obligation Bonds, Series 1999A. The funds are being used to construct a municipal library facility. The note is due in monthly installments over a twenty year period ending 7-1-2020. Interest is at a variable rate based on the TBMA Municipal Swap Index plus 1.2% (2.19% at 9-30-2003). The note is to be paid by the City's General Fund.

\$ 4,074,658

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

685,899

Note payable to the Mississippi Development Bank on a \$7,000,000 loan funded from proceeds of Special Obligation Bonds, Series 1999A. The funds are being expended on various municipal capital projects primarily for the acquisition of land to be used for the construction of ball fields and street improvement projects. The note is due in monthly installments over a 20-year period ending in 2023. Interest is at a variable rate based on the TBMA Municipal Swap Index (2.19% at 9-30-03).

1,974,998

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Notes - continued:

Note payable to the Mississippi Development Bank on a \$2,700,000 loan funded from proceeds of Special Obligation Bonds, Series 2001A. The funds are being used for the repair, improvement and extension of the sewage system of the City. The note is due in monthly installments over a twenty year period ending 6-1-2022. Interest is at a variable rate based on the TBMA Municipal Swap Index (2.88% at 9-30-2003).

\$ 2,700,000

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

517,217

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

102,475

\$ 10,055,247

State Grants:

\$180,000 Grant #1 from the State of Mississippi to provide financing for the construction of wastewater treatment works (to be repaid through monthly withholdings from sales taxes due the City in the amount of \$750 per month for 240 months beginning March 1985).

\$ 12,755

\$47,177 Grant #2 from the State of Mississippi to provide financing for the construction of wastewater treatment works (to be repaid through monthly withholdings from sales taxes due the City in the amount of \$197 per month for 240 months beginning July 1985).

4,085

\$ 16,840

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Capital leases:

\$182,822 Capital lease obligation to Trustmark National Bank on the purchase of fire equipment, due in monthly installments of \$3,466, including interest at 5.19%, with payments beginning March 2000 and ending February 2005. Title to the equipment will pass to the City upon payment of the final lease payment. \$ 59,898

\$249,000 Capital lease obligation to AmSouth National Bank on the purchase of a fire truck, due in monthly installments of \$3,515 beginning November 1998 and ending October 2005 with interest at 4.960%. 80,715

\$ 140,613

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.

No-Commitment Debt

The long-term debt of the City at September 30, 2003 does not include the outstanding balance of Urban Renewal Revenue Bonds issued pursuant to Sections 43-35-1 through 43-35-37 of the Mississippi Code of 1972, as amended. Urban Renewal Bonds have been issued to provide financing for the construction of multifamily housing and an office building.

These bonds do not constitute an indebtedness of the City within the meaning of any constitutional provision or statutory debt limitation and shall never give rise to a pecuniary liability of the City or a charge upon the general credit or against the taxing powers of the City. The City has no legal or implied obligation to pay any portion of principal or interest maturities of such bonds from any funds raised by taxation or out of any other revenues of the City. The bonds are payable solely out of revenues derived from the financing agreements of the various bond indentures. Each bond and related agreements provide for the appointment of a trustee that is empowered by a trust indenture to administer the bonds and to provide for the payment of principal and interest in accordance with the bond agreements.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

No-Commitment Debt - continued:

At September 30, 2003, the City has \$495,035 of Urban Renewal Bonds outstanding as follows:

	<u>Urban Renewal Bonds</u>
Balance outstanding - September 30, 2002	\$ 678,256
Additions	-
Retirements	(183,221)
Balance outstanding - September 30, 2003	\$ <u>495,035</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2003:

Advances

Advances to/from other funds at September 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Recreational and Tourism	
	Special Tax Fund	\$ 5,000
	City-Wide Debt Service	378,335
	Bridge and Street Improvements	405,684
	Water and Sewer Enterprise Fund	291,464
	Golf Course Enterprise Fund	82,881
	Internal Service Fund	283,164
	Fiduciary Fund	10
	Nonmajor governmental funds	<u>35,580</u>
Total General Fund		1,482,118
Recreational and Tourism Special Tax Fund	Golf Course Enterprise Fund	331,267
	City-Wide Debt Service	100
City-Wide Debt Service	General Fund	103,452
	Water and Sewer Enterprise Fund	146,636
Bridge and Street Improvements	City-Wide Debt Service	26,228
Hogg Creek Wastewater Facility	Water and Sewer Enterprise Fund	591,117
Water and Sewer Enter- prise Fund	Bridge and Street Improvements	<u>102,570</u>
		\$ <u>2,783,488</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES - CONTINUED:

Advances - continued:

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, 2003 are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
City-Wide Debt Service	General Fund	\$ 408,724
	Nonmajor governmental funds - Library Construction	354,847
Bridge and Steet Improvements	General Fund	80,000
Golf Course Enterprise Fund	Recreational and Tourism Special Tax Fund	<u>371,800</u>
		\$ <u>1,215,371</u>

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

NOTE 10 - CONTINGENT LIABILITIES

Grant Audits

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN

The City of Flowood contributed 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

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

PERS members are required to contribute 7.25% of their annual covered salary and City of Flowood is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll.

Annual Pension Cost: For fiscal year 2003, the City's annual pension cost of \$426,433 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the 2003 actuarial valuations. The valuation method used amortized unfunded employer liabilities over a closed 30-year period from September 30, 1990 as a level percent of each municipality's assessed property valuation. The actuarial assumptions included: (a) 8.00% investment rate of return (net of investment expenses), (b) 6.00% annual salary increases, and (c) 3.75% per year cost of living adjustments. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period (smoothed market value).

Three-Year Trend Information for PERS

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/2001	\$ 351,185	100%	-
9/30/2002	406,687	100%	-
9/30/2003	426,433	100%	-

NOTE 12 - GENERAL OBLIGATION BONDS, 1992 ROAD IMPROVEMENT ISSUE

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 12 - GENERAL OBLIGATION BONDS, 1992 ROAD IMPROVEMENT ISSUE - CONTINUED:

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

On April 1, 2002, the City issued \$5,460,000 in General Obligation Bonds, of which a portion of the proceeds was used to refund the outstanding 1992 General Obligation Bonds in the amount of \$1,665,000. The remaining obligation attributable to Rankin County in the amount of \$927,000 is not included in the General Long-Term Debt Account Group of the entity. See Note (11) for details of the refunding issue.

NOTE 13 - 2002 GENERAL OBLIGATION REFUNDING BONDS

On April 1, 2002, the City issued \$5,460,000 in General Obligation Bonds with an average interest rate of 4.19% to advance refund the following bonds:

\$1,665,000 of outstanding 1992 Series Bonds with average interest rates of 6.22% (\$999,000 of which Rankin County is obligated to repay). (See Note 12.)

\$835,000 of outstanding 1994 Series Bonds with average interest rates of 4.74%.

\$2,070,000 of outstanding Certificates of Participation, 1995 Series, with average interest rates of 6.33%.

\$565,000 of outstanding 1997 Series Bonds with average interest rates of 4.79%.

The net proceeds of the issue were \$5,346,546 (after payment of \$113,454 in underwriting fees and other issuance costs). Of the net proceeds, \$3,065,000 was used to immediately refund the 1992, 1994 and 1997 bonds. The remaining \$2,281,546 was used to purchase investment securities which were deposited in an irrevocable trust with an Escrow Agent to provide for all future debt service payments on the 1995 bond. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 13 - 2002 GENERAL OBLIGATION REFUNDING BONDS - CONTINUED:

The City advance refunded the bonds to reduce its total debt service payments over the next thirteen years by almost \$227,249 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$151,336.

NOTE 14 - CERTIFICATES OF PARTICIPATION, 1995 SERIES

In May 1996, the Flowood Civic Improvement Corporation (the Corporation), a nonprofit corporation, was created to assist the City by acquiring and constructing municipal facilities to be used by the City. The Corporation issued \$2,450,000 in Certificates of Participation (COPs), Series 1995, as of May 1, 1995 for the purpose of acquiring and constructing a municipal complex and a fire station. The improvements were completed in September 1996 and are being leased to the City under the terms of a lease and option to purchase between the Corporation and the City. The COPs are considered "limited debt" obligations of the City and have been accounted for as a long-term liability.

Lease payments are due on May 1 and November 1 of each year through May 1, 2015. Annual lease payments range from approximately \$224,000 to \$235,000. Title to the facilities transfers directly to the City at the expiration of the lease.

Under the terms of a trust indenture, the Corporation assigned and transferred certain of its rights, title and interest in the lease to a trustee. The trustee is responsible for disbursing all proceeds from the COPs in payment of construction costs, receiving all base rental payments and making semi-annual payments on the Certificates of Participation.

On April 1, 2002, the City issued \$5,460,000 in General Obligation Bonds, of which a portion of the proceeds was used to refund the Certificates of Participation, 1995 Series, in the amount of \$2,070,000. See Note (13) for details of the refunding issue.

NOTE 15 - PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On September 30, 2003, \$700,000 of bonds outstanding are considered defeased.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 16 - FLOWOOD MUNICIPAL GOLF COURSE PROJECT

In June 1997, the Flowood Golf Course Improvement Corporation was created to assist the City in the construction and installation of an eighteen hole municipal golf course approximately 6,850 yards in length, including a clubhouse, practice range and maintenance facilities. The City issued \$4,600,000 in urban renewal revenue bonds dated June 1, 1997 to fund the construction and installation of the facilities. The facilities are being lease purchased by the City pursuant to the terms of a ground lease and a lease and option to purchase between the City and the Flowood Golf Course Improvement Corporation.

In November 1999, pursuant to Sections 31-15-21 through 31-15-27 and Section 31-25-1, Mississippi Code of 1972, as amended, the City issued \$4,725,000 in Mississippi Development Bank Special Obligation Bonds, Series 1999, to advance refund and defease the outstanding principal amount (\$4,600,000) of the urban renewal bonds. The bonds were issued pursuant to a trust indenture dated November 1, 1999 between the City and First Tennessee Bank National Association, as trustee. The bonds are limited and special revenue obligations of the City payable solely from the pledged revenues derived from the operation of the golf course.

The net proceeds from the issuance of the bonds (\$4,542,980 after payment of insurance and surety bond premiums and issuance cost), along with \$443,357 held in a debt reserve fund under the terms of the urban renewal revenue bonds, were used to purchase qualified investment securities. These securities are held in an irrevocable escrow account to provide for all future debt service payments on the urban renewal bonds. As a result, the bonds are considered to be defeased and the liability for these bonds has been removed from the Golf Course Enterprise Fund. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$414,954. This difference, reported in the accompanying financial statements as a deferred asset, is being charged to operations through the year 2017 using the effective-interest method. The City completed the advance refunding in order to extend the repayment term from the 18 years remaining on the original bonds to 25 years on the refunding bonds. The total debt service payments over the next 24 years was increased by \$1,731,865, and an economic loss (difference between the present values of the old and new debt service payments) of \$186,082 was incurred.

NOTE 17 - BRIDGE AND STREET IMPROVEMENT FUND

The Bridge and Street Improvement Fund realized a fund deficit in the amount of \$296,930 at September 30, 2003. The fund had several

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 17 - BRIDGE AND STREET IMPROVEMENT FUND - CONTINUED:

bridge and street projects ongoing during the fiscal year with the majority of the City's share of project cost being funded through a loan with the Mississippi Development Bank. The City had previously borrowed \$1,974,998 on a \$7 million loan commitment from the bank. Subsequent to year end, the City borrowed additional funds to cover the fund deficit.

NOTE 18 - 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 provides that the pools will be self-sustaining through member premiums.

NOTE 19 - HEALTH SELF-INSURANCE PLAN

On October 1, 1996, the City entered into a Risk Pool Agreement authorized by Section 25-15-101 of the Mississippi Code to be self-insured for its employee group health and dental plan. The City contributes approximately \$288.07 per month, per employee, to the plan to cover each employee, and each employee, at their option, authorized payroll withholdings to pay contributions for dependent coverage. The City's monthly premiums to cover all employees have been expensed in the General Fund and the Water and Sewer Enterprise Fund in the same manner as the employees' salary.

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 19 - HEALTH SELF-INSURANCE PLAN - CONTINUED:

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 \$20,000 incurred and paid during the policy year. In addition, the policy will reimburse the City if total losses for the policy year exceed the annual aggregate attachment point (AAAP). The AAAP is an amount equal to the product of an aggregate monthly factor times the number of covered individuals.

For the fiscal year ended September 30, 2003, the City was reimbursed \$210,167 for losses in excess of \$20,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at September 30, 2003 is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on numerous complex factors, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in this claims liability during fiscal years 2002 and 2003 were as follows:

	Balance at Beginning of <u>Fiscal Year</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims <u>Payments</u>	Balance at End of <u>Fiscal Year</u>
2001-2002	\$ 64,916	482,887	484,001	63,802
2002-2003	63,802	672,626	662,135	74,293

The City's Health Self-Insurance Plan realized a \$255,382 decrease in net assets for the year ended September 30, 2003. This decrease resulted in a \$229,511 deficit in net assets. The deficit results primarily from excessive health claims incurred during the last quarter of the fiscal year. The City has subsequently increased premiums to employees and also has increased the amount funded from the various benefiting funds to eliminate the deficit during the fiscal year ended September 30, 2004.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 20 - COMMITMENTS

At September 30, 2003, the City had entered into various contracts to acquire and construct municipal facilities as follows:

<u>Project</u>	<u>Type Contract</u>	<u>Contract Amount</u>	<u>Cost Incurred Through September 30, 2003</u>	<u>Balance Outstanding</u>
Hogg Creek Wastewater Interceptor	Construction - Phase IV Engineering - Phase IV	\$ 2,773,935 146,000	2,699,852 138,600	74,083 7,400
Airport Parkway	Engineering	6,776,098	2,743,538	4,032,560
Woodrow Wilson Bridge (Funded 100% by Federal funds)	Construction Engineering	4,510,861 350,000	4,291,214 272,446	219,647 77,554
Flowood Dr./Liberty Rd.	Engineering	475,650	444,072	31,578
Lakeland Dr. Landscape and Irrigation	Landscaping	<u>643,358</u>	<u>604,938</u>	<u>38,420</u>
		<u>\$ 15,675,902</u>	<u>11,194,660</u>	<u>4,481,242</u>

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2003

	<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	\$ 1,595,000	1,595,000	1,517,668	(77,332)
Prior years ad valorem	10,000	10,000	8,722	(1,278)
Interest and penalties	5,000	5,000	8,192	3,192
Franchise fees	235,000	235,000	236,596	1,596
Licenses and permits	245,000	245,000	253,494	8,494
Intergovernmental	5,320,000	5,320,000	5,593,085	273,085
Charges for services	10,000	10,000	13,329	3,329
Fines and forfeits	540,000	675,000	736,106	61,106
Interest earned	20,000	8,000	23,653	15,653
Miscellaneous	60,000	88,000	76,127	(11,873)
Total revenues	<u>8,040,000</u>	<u>8,191,000</u>	<u>8,466,972</u>	<u>275,972</u>
EXPENDITURES:				
General government	953,000	913,000	709,742	203,258
Public safety	4,523,350	4,738,350	4,537,519	200,831
Public property maintenance	627,810	650,810	569,025	81,785
Sanitation	152,000	152,000	146,214	5,786
Health	64,500	67,500	59,815	7,685
Street maintenance	970,000	990,000	826,657	163,343
Recreation	510,700	510,700	358,381	152,319
Shop and maintenance	273,000	273,000	240,642	32,358
Debt service	-	-	-	-
Total expenditures	<u>8,074,360</u>	<u>8,295,360</u>	<u>7,447,995</u>	<u>847,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,360)</u>	<u>(104,360)</u>	<u>1,018,977</u>	<u>1,123,337</u>
Other financing sources (uses):				
Proceeds from promissory note - Mississippi Development Bank	-	-	632,627	632,627
Operating transfers in	-	-	-	-
Operating transfers out	<u>(441,400)</u>	<u>(441,400)</u>	<u>(258,753)</u>	<u>182,647</u>
Total financing sources (uses)	<u>(441,400)</u>	<u>(441,400)</u>	<u>373,874</u>	<u>815,274</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(475,760)	(545,760)	1,392,851	1,938,611
Fund balance at beginning of year	<u>2,349,501</u>	<u>2,349,501</u>	<u>2,349,501</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,873,741</u>	<u>1,803,741</u>	<u>3,742,352</u>	<u>1,938,611</u>

CITY OF FLOWOOD, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2003

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

Fund balance - budgetary basis	\$ 3,742,352
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	18,041
Intergovernmental	462,906
Police fines	31,718
Less: accounts payable paid after October 30, 2003	<u>(27,350)</u>
Fund balance - GAAP basis	\$ <u>4,227,667</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 476,000	476,000	406,647	69,353
Supplies	27,000	27,000	18,812	8,188
Other services and charges	425,000	385,000	281,502	103,498
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>2,781</u>	<u>22,219</u>
Total general govern- ment	<u>953,000</u>	<u>913,000</u>	<u>709,742</u>	<u>203,258</u>
Public safety:				
Police:				
Personal services	1,995,000	1,995,000	1,904,808	90,192
Supplies	116,250	116,250	87,108	29,142
Other services and charges	244,950	330,950	327,362	3,588
Capital outlay	<u>86,150</u>	<u>86,150</u>	<u>63,687</u>	<u>22,463</u>
Total police	<u>2,442,350</u>	<u>2,528,350</u>	<u>2,382,965</u>	<u>145,385</u>
Fire:				
Personal services	1,815,000	1,850,000	1,808,688	41,312
Supplies	47,000	60,000	50,190	9,810
Other services and charges	192,000	260,000	256,290	3,710
Capital outlay	<u>27,000</u>	<u>40,000</u>	<u>39,386</u>	<u>614</u>
Total fire	<u>2,081,000</u>	<u>2,210,000</u>	<u>2,154,554</u>	<u>55,446</u>
Total public safety	<u>4,523,350</u>	<u>4,738,350</u>	<u>4,537,519</u>	<u>200,831</u>
Public property maintenance:				
Personal services	96,000	96,000	94,947	1,053
Supplies	17,810	17,810	16,101	1,709
Other services and charges	217,000	240,000	168,320	71,680
Capital outlay	<u>297,000</u>	<u>297,000</u>	<u>289,657</u>	<u>7,343</u>
Total public property maintenance	<u>627,810</u>	<u>650,810</u>	<u>569,025</u>	<u>81,785</u>
Sanitation:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	152,000	152,000	146,214	5,786
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sanitation	<u>152,000</u>	<u>152,000</u>	<u>146,214</u>	<u>5,786</u>
Health:				
Personal services	12,000	15,000	9,059	5,941
Supplies	51,000	51,000	50,756	244
Other services and charges	1,500	1,500	-	1,500
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total health	<u>64,500</u>	<u>67,500</u>	<u>59,815</u>	<u>7,685</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Street maintenance:				
Personal services	\$ 600,000	620,000	618,636	1,364
Supplies	18,000	18,000	7,280	10,720
Other services and charges	260,000	260,000	174,168	85,832
Capital outlay	<u>92,000</u>	<u>92,000</u>	<u>26,573</u>	<u>65,427</u>
Total street maintenance	<u>970,000</u>	<u>990,000</u>	<u>826,657</u>	<u>163,343</u>
Recreation:				
Personal services	315,000	315,000	259,728	55,272
Supplies	63,000	63,000	26,685	36,315
Other services and charges	100,700	100,700	70,301	30,399
Capital outlay	<u>32,000</u>	<u>32,000</u>	<u>1,667</u>	<u>30,333</u>
Total recreation	<u>510,700</u>	<u>510,700</u>	<u>358,381</u>	<u>152,319</u>
Shop:				
Personal services	120,000	120,000	115,311	4,689
Supplies	83,000	93,000	82,704	10,296
Other services and charges	70,000	60,000	42,627	17,373
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total shop	<u>273,000</u>	<u>273,000</u>	<u>240,642</u>	<u>32,358</u>
Total expenditures	\$ <u>8,074,360</u>	<u>8,295,360</u>	<u>7,447,995</u>	<u>847,365</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RECREATION AND TOURISM SPECIAL TAX FUND
YEAR ENDED SEPTEMBER 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 780,000	780,000	769,857	(10,143)
Interest earned	<u>5,000</u>	<u>5,000</u>	<u>5,177</u>	<u>177</u>
Total revenues	<u>785,000</u>	<u>785,000</u>	<u>775,034</u>	<u>(9,966)</u>
EXPENDITURES:				
Recreation:				
Other services and charges	45,000	45,000	-	45,000
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>740,000</u>	<u>740,000</u>	<u>775,034</u>	<u>35,034</u>
Other financing sources (uses):				
Operating transfers out	<u>371,800</u>	<u>371,800</u>	<u>371,800</u>	<u>-</u>
Total other financing sources (uses)	<u>371,800</u>	<u>371,800</u>	<u>371,800</u>	<u>-</u>
Excess of revenues over expenditures and other uses	<u>368,200</u>	<u>368,200</u>	<u>403,234</u>	<u>35,034</u>
Fund balance at beginning of year	<u>807,681</u>	<u>807,681</u>	<u>807,681</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,175,881</u>	<u>1,175,881</u>	<u>1,210,915</u>	<u>35,034</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 1,210,915
Adjustment to GAAP basis:	
Add accrued sales tax revenue	<u>68,432</u>
Fund balance - GAAP basis	\$ <u>1,279,347</u>

COMBINING FINANCIAL STATEMENTS

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING BALANCE SHEET
CITY-WIDE DEBT SERVICE
SEPTEMBER 30, 2003**

	General Obligation Bonds			
	1979 Public Improvement Bonds	1988 Public Improvement Bonds	2002 Refunding Bonds	1999 Roadway Improvement Bonds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 22,849	39,892	200,844	234,477
Receivables (net of allowance for uncollectibles, where applicable):				
Taxes	325	974	4,352	3,248
Special assessments:				
Current	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
	\$ <u>23,174</u>	<u>40,866</u>	<u>205,196</u>	<u>237,725</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deferred revenue	\$ -	-	-	-
Due to other funds	974	14,808	117,479	151,483
Total liabilities	<u>974</u>	<u>14,808</u>	<u>117,479</u>	<u>151,483</u>
Fund balances:				
Reserved for:				
Debt service	22,200	26,058	87,717	86,242
Total fund balances	<u>22,200</u>	<u>26,058</u>	<u>87,717</u>	<u>86,242</u>
Total liabilities and fund balances	\$ <u>23,174</u>	<u>40,866</u>	<u>205,196</u>	<u>237,725</u>

Special Assessment Bonds		Limited Obligation Bonds				State Loans and Grants				Total City-Wide Debt Service
1984 N. Flowood Fire District Improvements	1986 Special Improvements Pollution Abatement	1995 Tax Increment Financing Bonds	1999 Tax Increment Financing Bonds	2001 Tax Increment Financing Bonds	2002 Tax Increment Financing Bonds	\$7,000,000 Capital Improvement Loan	\$190,000 Capital Improvement Loan	Capital Improvement Loan - Library	Bureau of Pollution Control Grant	
103,745	182,480	-	-	11,556	-	-	-	404,934	-	1,200,777
-	-	-	-	-	-	-	-	-	-	8,899
-	3,318	-	-	-	-	-	-	-	-	3,318
-	50,430	-	-	-	-	-	-	-	-	50,430
132,752	13,884	-	17,676	-	85,776	-	-	-	-	250,088
-	-	-	-	-	-	-	-	-	-	-
<u>236,497</u>	<u>250,112</u>	<u>-</u>	<u>17,676</u>	<u>11,556</u>	<u>85,776</u>	<u>-</u>	<u>-</u>	<u>404,934</u>	<u>-</u>	<u>1,513,512</u>
-	50,550	-	-	-	-	-	-	-	-	50,550
<u>4,869</u>	<u>58,270</u>	<u>27,526</u>	<u>-</u>	<u>29,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,663</u>
<u>4,869</u>	<u>108,820</u>	<u>27,526</u>	<u>-</u>	<u>29,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,213</u>
<u>231,628</u>	<u>141,292</u>	<u>(27,526)</u>	<u>17,676</u>	<u>(17,698)</u>	<u>85,776</u>	<u>-</u>	<u>-</u>	<u>404,934</u>	<u>-</u>	<u>1,058,299</u>
<u>231,628</u>	<u>141,292</u>	<u>(27,526)</u>	<u>17,676</u>	<u>(17,698)</u>	<u>85,776</u>	<u>-</u>	<u>-</u>	<u>404,934</u>	<u>-</u>	<u>1,058,299</u>
<u>236,497</u>	<u>250,112</u>	<u>-</u>	<u>17,676</u>	<u>11,556</u>	<u>85,776</u>	<u>-</u>	<u>-</u>	<u>404,934</u>	<u>-</u>	<u>1,513,512</u>

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY-WIDE DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	General Obligation Bonds			
	1979 Public Improvement Bonds	1988 Public Improvement Bonds	2002 Refunding Bonds	1999 Roadway Improvement Bonds
REVENUES:				
Taxes:				
Current year ad valorem	\$ 27,566	82,697	369,381	275,658
Prior years ad valorem	159	477	2,128	1,588
Special assessment	-	-	-	-
Intergovernmental	31	93	417	311
Interest earned	83	183	655	879
Other	-	-	-	-
Total revenues	<u>27,839</u>	<u>83,450</u>	<u>372,581</u>	<u>278,436</u>
EXPENDITURES:				
Current:				
Debt service:				
Principal	15,000	55,000	478,000	110,000
Interest and other fiscal charges	<u>3,065</u>	<u>31,316</u>	<u>156,271</u>	<u>133,221</u>
Total expenditures	<u>18,065</u>	<u>86,316</u>	<u>634,271</u>	<u>243,221</u>
Excess (deficiency) of revenues over (under) expenditures	9,774	(2,866)	(261,690)	35,215
Other financing sources (uses):				
Operating transfer in	-	-	212,000	-
Operating transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>212,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	9,774	(2,866)	(49,690)	35,215
Fund balance at beginning of year	<u>12,426</u>	<u>28,924</u>	<u>137,407</u>	<u>51,027</u>
Fund balance at end of year	\$ <u>22,200</u>	<u>26,058</u>	<u>87,717</u>	<u>86,242</u>

Special Assessment Bonds		Limited Obligation Bonds				State Loans and Grants				Total City-Wide Debt Service
1984 N. Flowood Fire District Improvements	1986 Special Improvements Pollution Abatement	1995 Tax Increment Financing Bonds	1999 Tax Increment Financing Bonds	2001 Tax Increment Financing Bonds	2002 Tax Increment Financing Bonds	\$7,000,000 Capital Improvement Loan	\$190,000 Capital Improvement Loan - Library	Capital Improvement Loan	Bureau of Pollution Control Grant	
-	-	11,132	18,707	22,782	25,585	-	-	-	-	833,508
-	-	-	-	-	-	-	-	-	-	4,352
94,132	41,158	-	-	-	-	-	-	-	-	135,290
24	1,199	-	-	-	78,847	-	-	305	-	81,227
-	-	-	-	-	-	-	-	-	-	1,800
-	-	-	-	-	-	-	-	-	-	-
<u>94,156</u>	<u>42,357</u>	<u>11,132</u>	<u>18,707</u>	<u>22,782</u>	<u>104,432</u>	<u>-</u>	<u>-</u>	<u>305</u>	<u>-</u>	<u>1,056,177</u>
45,000	60,000	8,000	7,000	16,000	-	25,002	13,254	-	11,359	843,615
<u>13,044</u>	<u>25,870</u>	<u>4,920</u>	<u>6,755</u>	<u>18,238</u>	<u>13,470</u>	<u>9,149</u>	<u>4,717</u>	<u>83,462</u>	<u>-</u>	<u>503,498</u>
<u>58,044</u>	<u>85,870</u>	<u>12,920</u>	<u>13,755</u>	<u>34,238</u>	<u>13,470</u>	<u>34,151</u>	<u>17,971</u>	<u>83,462</u>	<u>11,359</u>	<u>1,347,113</u>
36,112	(43,513)	(1,788)	4,952	(11,456)	90,962	(34,151)	(17,971)	(83,157)	(11,359)	(290,936)
-	-	-	-	-	-	34,151	17,971	488,091	11,359	763,572
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,151</u>	<u>17,971</u>	<u>488,091</u>	<u>11,359</u>	<u>763,572</u>
36,112	(43,513)	(1,788)	4,952	(11,456)	90,962	-	-	404,934	-	472,636
<u>195,516</u>	<u>184,805</u>	<u>(25,738)</u>	<u>12,724</u>	<u>(6,242)</u>	<u>(5,186)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,663</u>
<u>231,628</u>	<u>141,292</u>	<u>(27,526)</u>	<u>17,676</u>	<u>(17,698)</u>	<u>85,776</u>	<u>-</u>	<u>-</u>	<u>404,934</u>	<u>-</u>	<u>1,058,299</u>

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003**

	Special Revenue Funds			
	State Gasoline Tax	Fire Protection Fund	Police Grants Fund	Police Seizure Fund
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	-	-	55,579
Receivables (net of allowance for uncollectibles):				
Grants	-	-	2,659	-
Note receivable from property owner	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>-</u>	<u>-</u>	<u>2,659</u>	<u>55,579</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deferred revenue	-	-	-	-
Due to other funds	-	-	2,659	32,608
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,659</u>	<u>32,608</u>
Fund balances:				
Reserved for:				
Capital projects	-	-	-	-
Unreserved, undesignated in:				
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,971</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,971</u>
Total liabilities and fund balances	\$ <u>-</u>	<u>-</u>	<u>2,659</u>	<u>55,579</u>

<u>Capital Projects</u>			
<u>Community Development Block Grant</u>	<u>Municipal Library</u>	<u>YMCA Recreational Facilities</u>	<u>Total Nonmajor Governmental Funds</u>
1,087	-	-	56,666
-	-	-	2,659
<u>581,984</u>	<u>-</u>	<u>-</u>	<u>581,984</u>
<u>583,071</u>	<u>-</u>	<u>-</u>	<u>641,309</u>
732	-	-	732
313	-	-	35,580
<u>581,984</u>	<u>-</u>	<u>-</u>	<u>581,984</u>
<u>583,029</u>	<u>-</u>	<u>-</u>	<u>618,296</u>
42	-	-	42
<u>-</u>	<u>-</u>	<u>-</u>	<u>22,971</u>
<u>42</u>	<u>-</u>	<u>-</u>	<u>23,013</u>
<u>583,071</u>	<u>-</u>	<u>-</u>	<u>641,309</u>

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Special Revenue Funds			
	State Gasoline Tax	Fire Protection Fund	Police Grants Fund	Police Seizure Fund
REVENUES:				
Intergovernmental	\$ 433,690	21,470	41,085	-
Fines and forfeits	-	-	-	27,736
Interest earned	-	-	-	211
Total revenues	<u>433,690</u>	<u>21,470</u>	<u>41,085</u>	<u>27,947</u>
EXPENDITURES:				
Current:				
Public safety	-	21,470	41,085	4,976
Street maintenance	433,690	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>433,690</u>	<u>21,470</u>	<u>41,085</u>	<u>4,976</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,971</u>
Other financing sources (uses):				
Operating transfer in	-	-	-	-
Operating transfer out	-	-	-	-
Proceeds from promissory note - Mississippi Development Bank	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	22,971
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>22,971</u></u>

<u>Capital Projects</u>			
<u>Community Development Block Grant</u>	<u>Municipal Library</u>	<u>YMCA Recreational Facilities</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	-	496,245
-	-	-	27,736
<u>16</u>	<u>-</u>	<u>-</u>	<u>227</u>
<u>16</u>	<u>-</u>	<u>-</u>	<u>524,208</u>
-	-	-	67,531
-	-	-	433,690
<u>-</u>	<u>-</u>	<u>708,290</u>	<u>708,290</u>
<u>-</u>	<u>-</u>	<u>708,290</u>	<u>1,209,511</u>
<u>16</u>	<u>-</u>	<u>(708,290)</u>	<u>(685,303)</u>
-	-	-	-
-	(354,847)	-	(354,847)
<u>-</u>	<u>-</u>	<u>708,290</u>	<u>708,290</u>
<u>-</u>	<u>(354,847)</u>	<u>708,290</u>	<u>353,443</u>
16	(354,847)	-	(331,860)
<u>26</u>	<u>354,847</u>	<u>-</u>	<u>354,873</u>
<u>42</u>	<u>-</u>	<u>-</u>	<u>23,013</u>

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 38,000	25,000	21,470	(3,530)
Interest earned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>38,000</u>	<u>25,000</u>	<u>21,470</u>	<u>(3,530)</u>
EXPENDITURES:				
Public safety:				
Supplies	38,000	25,000	21,470	3,530
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>38,000</u>	<u>25,000</u>	<u>21,470</u>	<u>3,530</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ -	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>-</u>	

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
STATE GASOLINE TAX
YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 430,000	500,000	433,690	(66,310)
Interest earned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>430,000</u>	<u>500,000</u>	<u>433,690</u>	<u>(66,310)</u>
EXPENDITURES:				
Street maintenance:				
Supplies	65,000	65,000	62,405	2,595
Other services and charges	405,000	405,000	344,106	60,894
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>27,179</u>	<u>2,821</u>
Total expenditures	<u>500,000</u>	<u>500,000</u>	<u>433,690</u>	<u>66,310</u>
Excess (deficiency) of revenues over (under) expenditures	(70,000)	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ -	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>-</u>	

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS FUND
YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 84,000	84,000	41,085	(42,915)
Interest earned	-	-	-	-
Total revenues	<u>84,000</u>	<u>84,000</u>	<u>41,085</u>	<u>(42,915)</u>
EXPENDITURES:				
Public safety:				
Police:				
Personal services	54,000	54,000	38,426	15,574
Supplies	-	-	-	-
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>2,659</u>	<u>27,341</u>
Total expenditures	<u>84,000</u>	<u>84,000</u>	<u>41,085</u>	<u>42,915</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ -	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>-</u>	

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 25,000	25,000	27,736	2,736
Interest earned	<u>-</u>	<u>-</u>	<u>211</u>	<u>211</u>
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>27,947</u>	<u>2,947</u>
EXPENDITURES:				
Public safety:				
Other services and charges	<u>10,000</u>	<u>10,000</u>	<u>4,976</u>	<u>5,024</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>4,976</u>	<u>5,024</u>
Excess (deficiency) of revenues over (under) expenditures	15,000	15,000	22,971	7,971
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>15,000</u>	<u>15,000</u>	<u>22,971</u>	<u>7,971</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ 22,971	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>22,971</u>	

SUPPLEMENTAL INFORMATION

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF OPERATIONS - ACTUAL AND BUDGET
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Budgetary Basis <u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
OPERATING REVENUES			
Water sales	\$ 1,156,802	1,200,000	(43,198)
Sewer charges	1,500,691	1,475,000	25,691
Tap and connection fees	349,607	230,000	119,607
Late fees	<u>18,764</u>	<u>25,000</u>	<u>(6,236)</u>
Total operating revenues	<u>3,025,864</u>	<u>2,930,000</u>	<u>95,864</u>
OPERATING EXPENSES:			
Personal services	591,881	615,000	23,119
Supplies	169,844	200,000	30,156
Other services and charges	<u>989,409</u>	<u>1,045,000</u>	<u>55,591</u>
Total operating expenses	<u>1,751,134</u>	<u>1,860,000</u>	<u>108,866</u>
Operating income before non- operating income	<u>1,274,730</u>	<u>1,070,000</u>	<u>204,730</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	3,319	1,000	2,319
Bond interest and fiscal charges	<u>(437,665)</u>	<u>(600,000)</u>	<u>162,335</u>
Total non-operating expenses	<u>(434,346)</u>	<u>(599,000)</u>	<u>164,654</u>
INCOME	840,384	<u>471,000</u>	<u>369,384</u>
Depreciation expense	(827,915)		
Ending receivables	254,916		
Beginning receivables	<u>(257,327)</u>		
CHANGE IN NET ASSETS	\$ <u>10,058</u>		

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

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2003**

	<u>Assessed Value</u>	<u>Tax</u>
ASSESSMENTS:		
Per original rolls:		
Realty	\$ 65,838,813	
Personal - other than automobile	33,386,585	
Utilities	4,181,442	
Personal - automobile	<u>18,354,005</u>	
Total roll at 20.60 mills	\$ <u>121,760,845</u>	\$ 2,508,273
 Homestead reimbursement		 2,563
DEDUCT:		
Homestead allowance	\$ 21,336	
Commission on car tags	<u>18,905</u>	
		<u>(40,241)</u>
		\$ <u>2,470,595</u>
	<u>Taxes</u>	<u>Homestead Exemption</u>
		<u>Total</u>
COLLECTIONS:		
Accounted for:		
General Fund	\$ 1,510,199	1,711
G. O. Public Improve- ment Bonds	110,263	124
G. O. 1999 Road Im- provement Bonds	275,658	311
G. O. Refunding Bonds	369,381	417
Limited Obligation Tax Increment Bonds	<u>78,206</u>	<u>-</u>
	<u>2,343,707</u>	<u>2,563</u>
		\$ 2,346,270
UNCOLLECTED:		
Realty		-
Personal		132,221
UNDER (OVER) COLLECTIONS		<u>(7,896)</u>
Total accounted for		\$ <u>2,470,595</u>

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF TEMPORARY CASH INVESTMENTS
AND INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2003**

	<u>Date Issued</u>	<u>Date Matures</u>	<u>Interest Rate</u>	<u>Amount</u>
<u>RECREATIONAL AND TOURISM</u>				
<u>SPECIAL TAX FUND</u>				
Certificate of Deposit	08-22-03	02-17-04	1.00%	\$ 130,918
<u>PROPRIETARY FUND TYPES:</u>				
Certificate of Deposit	07-17-03	01-13-04	1.00%	51,720
Certificate of Deposit	07-24-02	01-19-04	1.00%	30,058
Certificate of Deposit	07-07-02	01-08-04	1.00%	24,331
Certificate of Deposit	06-18-03	06-18-04	1.34%	6,328
Certificate of Deposit	06-18-03	06-18-04	1.34%	6,328
				<u>118,765</u>
Total investments				\$ <u>249,683</u>
Investments - unrestricted				\$ 185,847
Investments - restricted				<u>63,836</u>
Total investments				\$ <u>249,683</u>

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2003**

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

CITY OF FLOWOOD, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

DEFINITION AND PURPOSE

<u>Date</u>	<u>Balance</u> <u>Outstanding</u> <u>October 1, 2002</u>	<u>Transactions</u> <u>During Fiscal Year</u>		<u>Balance</u> <u>Outstanding</u> <u>September 30,</u>
		<u>Issued</u>	<u>Redeemed</u>	
<u>2003</u>				
GENERAL OBLIGATION BONDS:				
1979 Public Improvement	\$ 30,000	-	15,000	15,000
1988 Public Improvement	410,000	-	55,000	355,000
1999 Roadway Improvement	2,950,000	-	110,000	2,840,000
2002 Refunding	<u>4,461,000</u>	<u>-</u>	<u>478,000</u>	<u>3,983,000</u>
	<u>7,851,000</u>	<u>-</u>	<u>658,000</u>	<u>7,193,000</u>
REVENUE BONDS:				
1997 Golf Course Urban Renewal	4,725,000	-	95,000	4,630,000
1998 Water and Sewer System	<u>7,520,000</u>	<u>-</u>	<u>195,000</u>	<u>7,325,000</u>
	<u>12,245,000</u>	<u>-</u>	<u>290,000</u>	<u>11,955,000</u>
SPECIAL ASSESSMENT BONDS:				
1985 Special Tax Fire Protection	140,000	-	45,000	95,000
1986 Special Improvement Pollution Abatement	<u>280,000</u>	<u>-</u>	<u>60,000</u>	<u>220,000</u>
	<u>420,000</u>	<u>-</u>	<u>105,000</u>	<u>315,000</u>
LIMITED OBLIGATION BONDS:				
1995 Tax Increment	82,000	-	8,000	74,000
1999 Tax Increment	92,000	-	7,000	85,000
2001 Tax Increment	318,000	-	16,000	302,000
2001 Tax Increment	<u>4,005,000</u>	<u>-</u>	<u>-</u>	<u>4,005,000</u>
	<u>4,497,000</u>	<u>-</u>	<u>31,000</u>	<u>4,466,000</u>
NOTE:				
Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Water and Sewer Enterprise	567,281	-	50,064	517,217
Mississippi Department of Economic and Community Development Capital Improvements Loan Program - General Fund - (Fire truck)	115,729	-	13,254	102,475
Mississippi Development Bank Loan				
-				
Water and Sewer Enterprise (re- pair, improve and extend sewage system)	41,750	2,658,250	-	2,700,000

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

DEFINITION AND PURPOSE - CONTINUED:

<u>2003</u>	<u>Date</u>	<u>Balance Outstanding October 1, 2002</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30,</u>
			<u>Issued</u>	<u>Redeemed</u>	
NOTE - CONTINUED:					
	Mississippi Department of Economic and Community Development Capital Improve- ments Loan Program - Capital Projects	\$ -	2,000,000	25,002	1,974,998
	Mississippi Department of Economic and Community Development Capital Improve- ments Loan Program - Water and Sewer Enterprise	745,970	-	60,071	685,899
	Mississippi Development Bank Loan - Municipal Library Complex	<u>3,442,031</u>	<u>632,627</u>	<u>-</u>	<u>4,074,658</u>
		<u>4,912,761</u>	<u>5,290,877</u>	<u>148,391</u>	<u>10,055,247</u>
STATE GRANTS:					
	Grant #1 State of Mississippi	21,750	-	8,995	12,755
	Grant #2 State of Mississippi	<u>6,449</u>	<u>-</u>	<u>2,364</u>	<u>4,085</u>
		<u>28,199</u>	<u>-</u>	<u>11,359</u>	<u>16,840</u>
CAPITAL LEASES:					
	Trustmark National Bank	8,850	-	8,850	-
	AmSouth Bank	117,756	-	37,041	80,715
	Trustmark National Bank	97,321	-	37,423	59,898
	First Continental Leasing	<u>11,684</u>	<u>-</u>	<u>11,684</u>	<u>-</u>
		<u>235,611</u>	<u>-</u>	<u>94,998</u>	<u>140,613</u>
	Total	\$ <u>30,189,571</u>	<u>5,290,877</u>	<u>1,338,748</u>	<u>34,141,700</u>
NO-COMMITMENT DEBT:					
	Urban Renewal Bonds:				
	Airport Road Partners	\$ <u>678,256</u>	<u>-</u>	<u>183,221</u>	<u>495,035</u>
	Total	\$ <u>678,256</u>	<u>-</u>	<u>183,221</u>	<u>495,035</u>

ADDITIONAL REPORTS

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

To the Honorable Mayor and Aldermen
City of Flowood, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated March 4, 2005. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Also in connection with our audit, nothing came to our attention that caused us to believe the City had not complied with the requirements of the Office of the State Auditor as set forth in the Municipal Compliance Questionnaire.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Flowood, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on

the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

March 4, 2005

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

To the Honorable Mayor and Aldermen
City of Flowood, Mississippi

Compliance

We have audited the compliance of the City of Flowood, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major Federal program for the year ended September 30, 2003. The City of Flowood, Mississippi's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the City of Flowood, Mississippi's management. Our responsibility is to express an opinion on the City of Flowood, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Flowood, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Flowood, Mississippi's compliance with those requirements.

In our opinion, the City of Flowood, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended September 30,

2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items X1-03.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

March 4, 2005

ADDITIONAL SCHEDULES

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title/ Grant Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Grant Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:				
Pass-through programs from:				
Mississippi Department of Transportation				
Highway Planning and Construction	20.205			
Woodrow Wilson Bridge		BRD-8295-00(02)/103688301000	\$ 4,105,599	4,105,599
Airport Parkway Commission		100551	3,052,777	3,052,777
R.O. and Mangum Intersection		STP7330(5)/103288301000	<u>14,469</u>	<u>14,469</u>
			7,172,845	7,172,845
Mississippi Office of Highway Safety				
Occupant Protection	20.602			
2002 Occupant Protection		FY02-Section 157 NHTSA	<u>10,032</u>	<u>10,032</u>
Total pass-through programs			<u>7,182,877</u>	<u>7,182,877</u>
U.S. Department of Justice:				
Direct programs:				
Public Safety Partnership and Community				
Policing Grants	16.710			
COPS in School Grant		2000-SH-WX-0479	<u>18,093</u>	<u>18,093</u>
Total direct programs			<u>18,093</u>	<u>18,093</u>
Pass-through program from:				
Mississippi Emergency Management Agency				
State Domestic Preparedness Equipment				
Support Grant	16.007			
FY 2003 Homeland Security Grant		3S5G-1024	<u>2,659</u>	<u>2,659</u>
Total pass-through programs			<u>2,659</u>	<u>2,659</u>
Total U.S. Department of Justice			<u>20,752</u>	<u>20,752</u>
Total expenditures of Federal awards			\$ <u>7,203,629</u>	<u>7,203,629</u>

See accompanying note to schedule of expenditures of Federal awards.

CITY OF FLOWOOD, MISSISSIPPI

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the City of Flowood, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF FLOWOOD, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2003

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Flowood, Mississippi.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards."
3. No instances of noncompliance material to the financial statements of the City of Flowood, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major Federal award programs are reported in the "Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133."
5. The auditor's report on compliance for the major Federal award programs expresses an unqualified opinion on the major Federal program.
6. Audit findings that are required to be reported in accordance with Section 510(a) on OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

<u>Program</u>	<u>Federal CFDA Number</u>
U.S. Department of Transportation - Highway Planning and Construction	20.205

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Flowood qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

CITY OF FLOWOOD, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2003

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF TRANSPORTATION

X1-03 Highway Planning and Construction – CFDA No. 20.205; Grant period: Year Ended September 30, 2003.

Condition: The reporting package was not submitted within nine months after the end of the audit period as required by OMB Circular A-133 at Section 320(a).

Criteria: Circular A-133 at Section 320(a) states that the reporting package must be submitted no later than 30 days after the reports are received from the auditors but no later than nine months after the end of the audit period.

Effect: None.

Cause: Key employee assigned responsibility for final review and completion of general ledger records was out on extended sick leave.

Recommendation: The City should train an additional employee that has the ability to assume responsibility for the City's general ledger records.

Action Taken: The key employee has resumed their duties and the City is training a second employee to assume responsibility for the general ledger records.