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CITY OF FLOWOOD, MISSISSIPPI

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

SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility - continued:

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, budgetary comparison information on pages 61-66, schedule of changes in net pension liability & related ratios on page 67, and the schedule of employer contributions on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowood, Mississippi basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

Other Matters - continued:

Other Information - continued:

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the City of Flowood, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Flowood, Mississippi's internal control over financial reporting and compliance.

Haddox Reid Embank Better PLLC

Jackson, Mississippi
March 28, 2018

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Our discussion and analysis of the City of Flowood's (the City) financial performance provides an overview of the City's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 16 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$2,493,923 as a result of this year's operations (\$3,272,228 increase in 2016). The majority of the increase (\$2,126,079) was realized by the City's Water and Sewer Enterprise Fund.
- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, during fiscal year 2015. The implementation resulted in the following items reported in the financial statements:
 - A net pension liability in the amount of \$25,350,675 at September 30, 2017.
 - An increase in the current year pension expense as determined prior to the implementation of GASB 68 in the amount of \$2,001,157 to \$3,551,995 as determined in accordance with GASB 68.
- The City's General Fund realized a .5% decrease in total revenue compared to the prior year (\$19,621,502 in 2017 compared to \$19,722,130 in 2016). Total expenditures reflected a 5.7% increase (\$16,566,647 in 2017 compared to \$15,680,889 in 2016).

USING THE ANNUAL FINANCIAL REPORT

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

The Statement of Net Position and Statement of Activities (on pages 16 and 17) provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

REPORTING THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net position for the 2017 fiscal year and changes in them. The City's net position - assets plus deferred outflows of resources less liabilities and deferred inflows of resources - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, non-financial information, such as changes in the City's tax base and the condition of the City's capital assets, will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's basic services are reported here which includes police, fire, sanitation, public property maintenance, parks and recreation, general administration, legal, court, health, street maintenance, shop and maintenance, landscape and engineering. Property taxes, sales taxes, police fines and fees, and franchise fees finance most of these activities.
- **Business-Type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, municipal golf course, and municipal R/C track park are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to the City's residents. Some funds are required to be established by State law, while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two types of funds - governmental and proprietary - utilize different accounting approaches.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

REPORTING THE CITY AS A WHOLE - CONTINUED:

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

The City of Flowood considers the General Fund, Recreation and Tourism Special Tax Fund, City-Wide Debt Service, and the City-Wide Capital Projects to be major funds and, therefore, presents information on these funds separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from all other governmental funds are combined into a single, aggregated nonmajor fund presentation.

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

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

CITY OF FLOWOOD, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

REPORTING THE CITY AS A WHOLE - CONTINUED:

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

FINANCIAL ANALYSIS OF THE CITY

The Statement of Net Position looks at the City as a whole. The City's combined net position was \$118,590,201 and \$116,096,278 as of September 30, 2017 and 2016, respectively. **Table 1** provides a summary of the City's net position.

(Table 1)
Condensed Statement of Net Position
At September 30, 2017 and 2016

	2017			2016		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 34,166,298	8,410,296	42,576,594	34,422,531	7,343,923	41,766,454
Capital assets, net	119,308,261	43,095,884	162,404,145	118,853,191	42,491,292	161,344,483
Total assets	<u>153,474,559</u>	<u>51,506,180</u>	<u>204,980,739</u>	<u>153,275,722</u>	<u>49,835,215</u>	<u>203,110,937</u>
Deferred outflows of resources:						
Deferred charges on refunding	1,009,696	89,740	1,099,436	738,707	124,945	863,652
Deferred outflows-pension	3,449,639	527,581	3,977,220	4,723,987	706,857	5,430,844
Total deferred outflows of resources	<u>4,459,335</u>	<u>617,321</u>	<u>5,076,656</u>	<u>5,462,694</u>	<u>831,802</u>	<u>6,294,496</u>
Liabilities:						
Current liabilities	5,619,706	2,907,734	8,527,440	5,208,912	2,384,959	7,593,871
Noncurrent liabilities	57,550,657	17,939,296	75,489,953	60,947,627	19,330,156	80,277,783
Total liabilities	<u>63,170,363</u>	<u>20,847,030</u>	<u>84,017,393</u>	<u>66,156,539</u>	<u>21,715,115</u>	<u>87,871,654</u>

CITY OF FLOWOOD, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

	2017			2016		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Deferred inflows of resources						
Unavailable property taxes	\$ 5,066,846	-	5,066,846	4,937,975	-	4,937,975
Deferred inflows-pension	2,066,854	316,101	2,382,955	434,510	65,016	499,526
Total deferred inflows of resources	<u>7,133,700</u>	<u>316,101</u>	<u>7,449,801</u>	<u>5,372,485</u>	<u>65,016</u>	<u>5,437,501</u>
Net assets:						
Net investment in capital assets	80,683,754	29,342,418	110,026,172	78,317,508	27,489,564	105,807,072
Restricted:						
Public safety	599,658	-	599,658	885,807	-	885,807
Debt service	10,407,206	585,733	10,992,939	11,110,347	585,578	11,695,925
Recreation and tourism	3,090,179	-	3,090,179	2,747,390	-	2,747,390
Unrestricted	<u>(7,150,966)</u>	<u>1,032,219</u>	<u>(6,118,747)</u>	<u>(5,851,660)</u>	<u>811,744</u>	<u>(5,039,916)</u>
Total net position	\$ <u>87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>	<u>87,209,392</u>	<u>28,886,886</u>	<u>116,096,278</u>

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

	2017	2016
Total unrestricted net position (deficit)	\$ (6,118,747)	(5,039,916)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71.	<u>23,756,410</u>	<u>21,755,253</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u>17,637,663</u>	<u>16,715,337</u>

The largest portion of the City's net position (93%) reflects net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Changes in Net Position for the years ended September 30, 2017 and 2016 are summarized in **Table 2**.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

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

	2017			2016		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
REVENUES:						
Program Revenues:						
Charges for services	\$ 1,990,790	10,661,557	12,652,347	2,220,774	10,786,696	13,007,470
Capital grants and contributions	1,687,061	-	1,687,061	73,165	1,100	74,265
Operating grants and contributions	1,160,679	-	1,160,679	2,197,059	-	2,197,059
General Revenues:						
Property taxes	5,613,028	-	5,613,028	5,508,121	-	5,508,121
Sales taxes	11,607,503	-	11,607,503	11,659,646	-	11,659,646
Other	4,271,720	23,023	4,294,743	4,218,185	13,122	4,231,307
Total revenues	<u>26,330,781</u>	<u>10,684,580</u>	<u>37,015,361</u>	<u>25,876,950</u>	<u>10,800,918</u>	<u>36,677,868</u>
EXPENSES:						
General government	1,544,647	-	1,544,647	1,436,344	-	1,436,344
Legal	330,687	-	330,687	323,714	-	323,714
Public safety	11,377,627	-	11,377,627	11,232,855	-	11,232,855
Court	704,128	-	704,128	670,615	-	670,615
Public property maintenance	716,066	-	716,066	720,125	-	720,125
Sanitation	316,797	-	316,797	280,254	-	280,254
Health	95,814	-	95,814	90,165	-	90,165
Street maintenance	5,436,898	-	5,436,898	4,952,104	-	4,952,104
Recreation	1,782,761	-	1,782,761	1,829,642	-	1,829,642
Shop and maintenance	526,037	-	526,037	602,375	-	602,375
Landscape	522,361	-	522,361	493,019	-	493,019
Engineering	140,942	-	140,942	125,463	-	125,463
Pay to other agency	59,483	-	59,483	59,972	-	59,972
Interest and fiscal charges	1,578,058	-	1,578,058	1,448,654	-	1,448,654
Golf course	-	853,442	853,442	-	936,106	936,106
R/C park	-	59,387	59,387	-	61,521	61,521
Water and sewer	-	8,122,453	8,122,453	-	8,077,726	8,077,726
Total expenses	<u>25,132,306</u>	<u>9,035,282</u>	<u>34,167,588</u>	<u>24,265,301</u>	<u>9,075,353</u>	<u>33,340,654</u>

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

	2017			2016		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
CHANGE IN NET POSITION BEFORE TRANSFERS AND LOSS ON DISPOSAL OF						
CAPITAL ASSETS	\$ 1,198,475	1,649,298	2,847,773	1,611,649	1,725,565	3,337,214
LOSS ON DISPOSAL OF CAPITAL ASSETS	(13,829)	(340,021)	(353,850)	(64,986)	-	(64,986)
TRANSFERS	(662,526)	662,526	-	(528,000)	528,000	-
TRANSFERS OF CAPITAL ASSETS	<u>(101,681)</u>	<u>101,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	420,439	2,073,484	2,493,923	1,018,663	2,253,565	3,272,228
NET POSITION, BEGINNING OF YEAR	<u>87,209,392</u>	<u>28,886,886</u>	<u>116,096,278</u>	<u>86,190,729</u>	<u>26,633,321</u>	<u>112,824,050</u>
NET POSITION, END OF YEAR	\$ <u>87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>	<u>87,209,392</u>	<u>28,886,886</u>	<u>116,096,278</u>

Governmental Activities

Several revenue sources fund our governmental activities. The City's largest source of operating revenue was received from sales tax which accounted for \$11,607,503 or 44.1% of gross revenue; revenues from charges for services accounted for \$1,990,760 or 7.6% of gross revenues; and property taxes accounted for \$5,613,028 or 21.3% of revenues. Operating grants and contributions amounted to \$1,160,679 or 4.4% of gross revenue.

The City of Flowood has been able to increase its sales tax collections in the last eleven years by \$2,841,707 from gross collections in 2006 of \$8,765,796 to gross collections in 2017 of \$11,607,503. 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 45.3% of the total program expenses, and street and public property maintenance accounting for 24.5%. The City of Flowood is committed to providing the best services possible for its citizens.

CITY OF FLOWOOD, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities - continued:

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

Business-Type Activities

Operating revenues of the City's business-type activities were \$10,661,557 and \$10,786,696 for the fiscal years ended September 30, 2017 and 2016, respectively. Operating expenses for the City's business-type activities were \$8,457,839 for 2017 and \$8,476,211 for 2016, resulting in operating income of \$2,203,718 in 2017 and \$2,310,485 in 2016. Net non-operating expenses of \$898,536 and capital asset contributions and transfers of \$764,207 for 2017 resulted in an increase in net position of \$2,069,389. Key operating results are detailed below:

- The City's Water and Sewer Enterprise Fund recorded charges for services of \$10,230,129 which reflects a .8% increase from the prior year. The most significant expenses of the Water and Sewer Enterprise Fund were \$2,172,920 for salaries and benefits, \$3,055,579 for operating cost including sewage treatment and \$1,778,546 in depreciation expense.
- The Golf Course Enterprise Fund's revenue decreased from \$596,850 in 2016 to \$389,446 in 2017 which reflects a decrease of 34.7%, while operating expenses, excluding depreciation, decreased 8.6% to \$710,129 in 2017 compared with \$776,710 in 2016. The City closed the golf course in July, 2017 for major renovations as part of the conference center project. The course is expected to reopen in the spring of 2020.
- The R/C Park Enterprise Fund's revenue decreased from \$44,322 in 2016 to \$41,982 in 2017 which reflects a decrease of 5.3% while operating expenses, excluding depreciation, decreased from \$59,932 in 2016 to \$57,798 in 2017, a decrease of 3.6%.

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 2017, the City of Flowood amended its General Fund budget once. All recommendations

CITY OF FLOWOOD, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

BUDGETARY HIGHLIGHTS - CONTINUED:

for a budget change come from the City Clerk and are presented to the Mayor and Board of Alderpersons for review before being amended by the Board of Alderpersons at a regular monthly Board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the General Fund supporting many of our major activities, such as our police and fire departments as well as general government activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, final budgeted revenues for fiscal year 2017 were \$19,394,000 and actual revenue collections were \$19,665,389. General Fund operating expenditures were \$16,573,709 compared to budgeted amounts of \$17,709,500.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the City had over \$162 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, water and sewer lines, and the municipal golf course facility. (See Table 3 below).

Table 3
Capital Assets at September 30, 2017 and 2016
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 37,504,029	35,897,068	766,808	766,808	38,270,837	36,663,876
Improvements other than buildings	15,798,262	14,148,197	-	-	15,798,262	14,148,197
Buildings	12,995,090	13,236,112	-	-	12,995,090	13,236,112
Machinery and equipment	4,323,760	3,664,470	241,153	231,018	4,564,913	3,895,488
Infrastructure	47,625,205	50,161,543	-	-	47,625,205	50,161,543
Construction in progress	1,061,915	1,745,801	3,122,392	686,970	4,184,307	2,432,771
Water and sewer system	-	-	38,756,810	40,234,178	38,756,810	40,234,178
Golf course	-	-	168,576	530,584	168,576	530,584
R/C park	-	-	40,145	41,734	40,145	41,734
Total	\$ 119,308,261	118,853,191	43,095,884	42,491,292	162,404,145	161,344,483

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

This year's major additions included:

Governmental Activities

Various Machinery and Equipment	\$ 529,452
Public Safety Vehicles	1,100,213
Land for Conference Center Project	1,606,961
Conference Center Site Work	983,006
Wirtz Road Bike Trail	602,151

Business-Type Activities

Water Well and Tank Project	2,333,741
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Debt

At September 30, 2017 and 2016, the City of Flowood had \$54,872,934 and \$58,023,457, respectively, in outstanding debt from General Obligation Bonds, Revenue Bonds, Limited Obligation Bonds, Notes, Capital Lease Payable and Compensated Absences. **Table 4** summarizes the total outstanding long-term obligations of the City.

**Table 4
Outstanding Debt at September 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 23,032,812	24,194,572	1,480,188	1,550,428	24,513,000	25,745,000
General obligation premium	659,293	714,234	41,770	45,251	701,063	759,485
Revenue bonds	-	-	5,410,000	6,105,000	5,410,000	6,105,000
Limited obligation bonds	3,250,000	3,506,000	-	-	3,250,000	3,506,000
Limited obligation discount	(46,985)	(50,600)	-	-	(46,985)	(50,600)
Special obligation bonds	10,218,163	11,088,849	5,966,829	6,266,142	16,184,992	17,354,991
Special obligation premium	206,610	221,349	112,041	119,950	318,651	341,299
Notes	-	-	2,797,380	2,959,373	2,797,380	2,959,373
Notes premium	-	-	-	-	-	-
Capital leases payable	1,304,614	861,279	-	-	1,304,614	861,279
Compensated absences	389,484	385,191	50,735	56,439	440,219	441,630
Total	\$ <u>39,013,991</u>	<u>40,920,874</u>	<u>15,858,943</u>	<u>17,102,583</u>	<u>54,872,934</u>	<u>58,023,457</u>

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

The City paid \$4,287,526 in principal on outstanding debt during the year in addition to defeasing \$5,880,000 of the \$10,715,000 Refunding Series 2010 bonds. The City issued \$6,413,000 General Obligation Refunding Bonds, Series 2017 to defease the \$5,880,000. The only other new debt was a capital lease for the acquisition of a 2017 fire pumper truck.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

Annually, the City's engineer inspects roadways and suggests the worst for repair. Over the past fifteen years, the City has expended an average of \$200,000 to \$600,000 annually on various roadway maintenance resurfacing projects. The 2018 roadway maintenance program is estimated at \$870,000. Additionally, the City acquired part of a water system located within City limits in fiscal year 2014. The City made improvements to the water system in fiscal years 2015 to 2017 to aid in residential development within the area. This includes a new well and tank under construction. The last fifteen years have seen the construction of a new City Hall, Police & Justice Court Complex, two new Fire Stations, three new City Parks, a full service Municipal Library, and a new Public Services building.

The City has also funded the purchase of approximately \$7.5 million dollars of public safety and public property vehicles and equipment over the past ten years. Some of the items purchased include an average of six new police cruisers per year along with a variety of pickup trucks, fire truck, vans, trucks, low pro dump trucks, mowers, tractors, cutting equipment and other road and non-road equipment for our service and recreation departments. The City purchased new fire rescue pumpers during 2007, 2008, 2010, 2016, and 2017. New network computer systems for the City's police department, municipal court system, and main administrative operations were also purchased throughout this time period.

The continuation and expansion of the City's aggressive economic development programs, instituted in the late 1990's, is an integral part of the City's future plans and financial stability. To this extent, the City is concentrating on the Lakeland Drive (Hwy 25) Corridor which encompasses the City boundary line at the Pearl River Bridge east to the city limits. The residents of the City

CITY OF FLOWOOD, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

have been very receptive to this increased development within the City and have shown their acceptance through numerous rezoning issues placed before them throughout the 2000's. The zoning districts that have been added to accomplish the City's economic development plans were PH1 & PH2 Residential Districts and Zoning accommodations for larger retail shopping mega centers, and a PUD planned urban district, along with a new Smart Code Overlay District. New development and expansion is also continuing at the Lakeland Drive and Old Fannin Road intersection. On the southeast side of this intersection in 2001 and 2002, the City's economic development programs were responsible for the construction of a \$32,000,000 redevelopment project known as the Dogwood Festival Market Lifestyle Shopping Center. This Center encompasses approximately 297,000 square feet of retail shopping with seven out-parcels housing restaurants, a bank and an import store. On the northeast corner, another mega retail shopping center, The Dogwood Promenade, was completed in late 2004 and 2005. The Lakeland Commons is located on the northwest corner of Lakeland Drive and Old Fannin Road and includes a home repair store and hotel, along with numerous national chain stores. A fourth center, known as Market Street Shopping Center, on the southwest corner of Lakeland Drive and Old Fannin Road, has four national retail anchors along with restaurants and local small businesses. In fiscal year 2013, a new development was constructed which is anchored by a 70,000 square foot Academy Sports store. During fiscal year 2015 several new industries located on the southern end of the City, which include the U.S. Foods distribution center and Puckett Machinery. Also, two new hotels began construction in fiscal year 2017. Another hotel was completed and several new restaurants opened in fiscal year 2017.

With the addition of all these shopping centers, the City of Flowood must maintain and create better access routes into and out of the City and provide additional public safety facilities and equipment. The City has committed its resources for new and expanded roadways, beautification enhancements, and recreational facilities throughout the City.

During Fiscal Year 2017 the City purchased land and began site work for a resort style 200 room hotel and conference center. The project is being built adjacent to the City owned Refuge Golf Course along Airport Road and the Medical Parkway. In November 2017 the City issued \$25 million in G.O. Bonds for the land purchase, site and golf course improvements, and purchase of the Conference Center. The development should spur additional economic development along Airport Road and the Medical Parkway. The project is expected to be completed Spring 2020.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,954,852	6,604,392	15,559,244
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	1,177,387	888,610	2,065,997
Grants	32,378	-	32,378
Taxes	7,565,092	-	7,565,092
Special assessments	3,097,889	-	3,097,889
Other governments	5,053,428	-	5,053,428
Internal balances	263,514	(263,514)	-
Prepays	112,800	81,397	194,197
Restricted assets:			
Cash and cash equivalents	7,908,958	1,099,411	9,008,369
Capital assets:			
Non-depreciable capital assets	38,565,944	3,889,200	42,455,144
Depreciable capital assets, net	<u>80,742,317</u>	<u>39,206,684</u>	<u>119,949,001</u>
Total assets	<u>153,474,559</u>	<u>51,506,180</u>	<u>204,980,739</u>
 <u>DEFERRED OUTFLOWS</u>			
<u>OF RESOURCES</u>			
Deferred charges on refunding	1,009,696	89,740	1,099,436
Deferred outflows related to pension	<u>3,449,639</u>	<u>527,581</u>	<u>3,977,220</u>
Total deferred outflows of resources	<u>4,459,335</u>	<u>617,321</u>	<u>5,076,656</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	\$ 892,237	905,455	1,797,692
Accrued liabilities	155,003	6,182	161,185
Accrued interest payable	451,507	199,986	651,493
Claims payable	194,700	-	194,700
Customer deposits	-	513,678	513,678
Funds held for others	30,000	-	30,000
Payable to other governments	310,927	-	310,927
Unearned revenue	134,109	-	134,109
Noncurrent liabilities:			
Due within one year:			
Compensated absences	53,655	5,565	59,220
Loans and leases payable	375,132	165,349	540,481
Bonds payable	3,022,436	1,111,519	4,133,955
Due in more than one year:			
Compensated absences	335,829	45,170	380,999
Loans and leases payable	929,482	2,632,031	3,561,513
Bonds payable	34,297,457	11,899,309	46,196,766
Net pension liability	21,987,889	3,362,786	25,350,675
Total liabilities	<u>63,170,363</u>	<u>20,847,030</u>	<u>84,017,393</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	5,066,846	-	5,066,846
Deferred inflows related to pension	<u>2,066,854</u>	<u>316,101</u>	<u>2,382,955</u>
Total deferred inflows of resources	<u>7,133,700</u>	<u>316,101</u>	<u>7,449,801</u>
<u>NET POSITION</u>			
Net investment in capital assets	80,683,754	29,342,418	110,026,172
Restricted for:			
Public safety	599,658	-	599,658
Debt service	10,407,206	585,733	10,992,939
Recreation and tourism	3,090,179	-	3,090,179
Unrestricted	<u>(7,150,966)</u>	<u>1,032,219</u>	<u>(6,118,747)</u>
Total net position	<u>\$ 87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Functions/Programs:</u>				
Governmental activities:				
General government	\$ 1,544,647	579,562	-	1,525
Legal	330,687	-	-	-
Public safety	11,377,627	1,284,654	53,258	63,661
Court	704,128	-	-	-
Public property maintenance	716,066	-	-	-
Sanitation	316,797	-	-	-
Health	95,814	-	-	-
Street maintenance	5,436,898	-	1,094,787	-
Recreation	1,782,761	126,574	12,634	1,621,875
Shop and maintenance	526,037	-	-	-
Landscape	522,361	-	-	-
Engineering	140,942	-	-	-
Pay to other agency	59,483	-	-	-
Interest and fiscal charges on long-term debt	1,578,058	-	-	-
Total governmental activities	<u>25,132,306</u>	<u>1,990,790</u>	<u>1,160,679</u>	<u>1,687,061</u>
Business-type activities:				
Golf course	853,442	389,446	-	-
R/C park	59,387	41,982	-	-
Water and sewer	8,122,453	10,230,129	-	-
Total business-type activities	<u>9,035,282</u>	<u>10,661,557</u>	<u>-</u>	<u>-</u>
Total government	\$ <u>34,167,588</u>	<u>12,652,347</u>	<u>1,160,679</u>	<u>1,687,061</u>
General revenues:				
Taxes:				
Ad valorem taxes				
Special assessments				
Sales tax				
Recreation and tourism tax				
Utility in lieu of tax				
Franchise fees				
Interest and penalties on taxes				
General intergovernmental revenue				
Investment earnings				
Other				
Loss on disposal of capital assets				
Transfers				
Transfers of capital assets				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
(963,560)	-	(963,560)
(330,687)	-	(330,687)
(9,976,054)	-	(9,976,054)
(704,128)	-	(704,128)
(716,066)	-	(716,066)
(316,797)	-	(316,797)
(95,814)	-	(95,814)
(4,342,111)	-	(4,342,111)
(21,678)	-	(21,678)
(526,037)	-	(526,037)
(522,361)	-	(522,361)
(140,942)	-	(140,942)
(59,483)	-	(59,483)
<u>(1,578,058)</u>	<u>-</u>	<u>(1,578,058)</u>
<u>(20,293,776)</u>	<u>-</u>	<u>(20,293,776)</u>
-	(463,996)	(463,996)
-	(17,405)	(17,405)
-	2,107,676	2,107,676
-	<u>1,626,275</u>	<u>1,626,275</u>
<u>(20,293,776)</u>	<u>1,626,275</u>	<u>(18,667,501)</u>
5,613,028	-	5,613,028
73,148	-	73,148
11,607,503	-	11,607,503
2,869,286	-	2,869,286
358,512	-	358,512
517,595	-	517,595
19,313	-	19,313
198,128	-	198,128
47,168	23,023	70,191
188,570	-	188,570
(13,829)	(340,021)	(353,850)
(662,526)	662,526	-
<u>(101,681)</u>	<u>101,681</u>	<u>-</u>
<u>20,714,215</u>	<u>447,209</u>	<u>21,161,424</u>
420,439	2,073,484	2,493,923
<u>87,209,392</u>	<u>28,886,886</u>	<u>116,096,278</u>
<u>87,629,831</u>	<u>30,960,370</u>	<u>118,590,201</u>

CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,586,439	3,028,248	2,636,206
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	769,709	-	-
Grants	-	-	-
Taxes	6,622,350	481,487	461,255
Special assessments	2,169,781	-	928,108
Due from other funds	3,318,477	-	-
Due from other governments	-	-	5,053,428
Prepaid expenses	112,799	-	-
Total assets	\$ <u>21,579,555</u>	<u>3,509,735</u>	<u>9,078,997</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 480,116	5,124	-
Accrued liabilities	155,003	-	-
Funds held for others	-	-	30,000
Unearned revenue	56,432	35,450	-
Due to other funds	-	378,982	358,225
Total liabilities	<u>691,551</u>	<u>419,556</u>	<u>388,225</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	4,613,499	-	453,347
Unavailable revenue - special assessments	2,169,781	-	926,629
Unavailable revenue - court fines	701,194	-	-
Unavailable revenue - Rankin County	-	-	5,053,428
Total deferred inflows of resources	<u>7,484,474</u>	<u>-</u>	<u>6,433,404</u>
Fund Balances:			
Nonspendable:			
Prepays	112,799	-	-
Restricted for:			
Public safety	-	-	-
Debt service	-	-	2,257,368
Recreation and tourism	-	3,090,179	-
Assigned to:			
Fiscal year 2018 budget appropriations	700,000	-	-
Unassigned	<u>12,590,731</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>13,403,530</u>	<u>3,090,179</u>	<u>2,257,368</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>21,579,555</u>	<u>3,509,735</u>	<u>9,078,997</u>

The accompanying notes are an integral part of this statement.

<u>City-Wide Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
1,602,619	641,885	16,495,397
-	-	769,709
21,874	10,504	32,378
-	-	7,565,092
-	-	3,097,889
-	-	3,318,477
-	-	5,053,428
-	-	112,799
<u>1,624,493</u>	<u>652,389</u>	<u>36,445,169</u>

406,997	-	892,237
-	-	155,003
-	-	30,000
-	42,227	134,109
<u>2,284,653</u>	<u>10,504</u>	<u>3,032,364</u>
<u>2,691,650</u>	<u>52,731</u>	<u>4,243,713</u>

-	-	5,066,846
-	-	3,096,410
-	-	701,194
-	-	5,053,428
-	-	13,917,878

-	-	112,799
-	599,658	599,658
-	-	2,257,368
-	-	3,090,179
-	-	700,000
<u>(1,067,157)</u>	-	<u>11,523,574</u>
<u>(1,067,157)</u>	<u>599,658</u>	<u>18,283,578</u>

<u>1,624,493</u>	<u>652,389</u>	<u>36,445,169</u>
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CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017**

Total fund balances - governmental funds		\$ 18,283,578
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	191,491,132	
Less accumulated depreciation	<u>(72,182,871)</u>	119,308,261
Fines revenue that was earned in the current period but not received within 60 days is not recognized in the fund statement but recognized under full accrual.		
		701,194
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.		
		8,149,838
An internal service fund is used by management to charge the cost of health and dental insurance to individual funds. The assets and liabilities of the internal service revenue fund are included in governmental activities in the Statement of Net Position.		
		247,866
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds:		
Net pension liability		(21,987,889)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension	3,449,639	
Deferred inflows of resources related to pension	<u>(2,066,854)</u>	1,382,785
Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. These long-term liabilities consist of:		
Bond obligations	(37,319,893)	
Loan and lease obligations	(1,304,614)	
Unamortized deferred charges on refunding bonds	1,009,696	
Accrued interest payable	(451,507)	
Compensated absences	<u>(389,484)</u>	<u>(38,455,802)</u>
Net position of governmental activities		\$ <u>87,629,831</u>

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, 2017**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 5,101,473	-	484,323
Prior years ad valorem	24,634	-	2,598
Interest and penalties on taxes	18,829	-	484
Special assessments	183,866	-	79,851
Franchise fees	517,595	-	-
Licenses and permits	525,231	-	-
Intergovernmental	11,996,423	2,869,286	676,434
Charges for services	65,746	126,574	-
Fines and forfeits	1,051,453	-	-
Contributions	-	83,497	11,967
Interest earned	27,122	8,935	4,464
Miscellaneous	109,130	-	-
Total revenues	<u>19,621,502</u>	<u>3,088,292</u>	<u>1,260,121</u>
EXPENDITURES:			
Current:			
General government	1,275,386	-	-
Legal	291,269	-	-
Public safety	9,244,708	-	-
Court	631,440	-	-
Public property maintenance	558,894	-	-
Sanitation	316,797	-	-
Health	89,534	-	-
Street and maintenance	1,570,343	-	-
Recreation	-	1,180,826	-
Shop and maintenance	498,032	-	-
Landscape	472,990	-	-
Engineering	118,397	-	-
Pay to other agency	-	-	59,483
Debt service:			
Principal	239,532	-	2,821,446
Debt issuance costs	-	-	119,158
Interest and other fiscal charges	21,298	-	1,392,050
Capital Outlay:			
Capital projects	-	-	-
General government	3,779	-	-

City-Wide Capital Projects	Other Nonmajor Funds	Total Governmental Funds
-	-	5,585,796
-	-	27,232
-	-	19,313
-	-	263,717
-	-	517,595
-	-	525,231
1,621,875	1,211,706	18,375,724
-	-	192,320
-	147,695	1,199,148
-	-	95,464
2,619	2,573	45,713
-	-	109,130
<u>1,624,494</u>	<u>1,361,974</u>	<u>26,956,383</u>

-	-	1,275,386
-	-	291,269
-	73,994	9,318,702
-	-	631,440
-	-	558,894
-	-	316,797
-	-	89,534
-	1,077,971	2,648,314
-	-	1,180,826
-	-	498,032
-	-	472,990
-	-	118,397
-	-	59,483
-	-	3,060,978
-	-	119,158
-	-	1,413,348
3,192,121	-	3,192,121
-	-	3,779

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
EXPENDITURES - CONTINUED:			
Public safety	850,058	-	-
Court	6,279	-	-
Street and maintenance	338,363	-	-
Public property maintenance	32,130	-	-
Landscape	7,418	-	-
Total expenditures	<u>16,566,647</u>	<u>1,180,826</u>	<u>4,392,137</u>
Excess (deficiency) of revenues over expenditures	<u>3,054,855</u>	<u>1,907,466</u>	<u>(3,132,016)</u>
Other financing sources (uses):			
Proceeds from capital lease	682,869	-	-
Proceeds from refunding bonds	-	-	6,413,000
Payment to bond escrow agent	-	-	(6,293,842)
Transfers in	-	-	2,994,843
Transfers out	(2,694,843)	(1,564,677)	-
Transfer of capital contribution	-	-	-
Total other financing sources (uses)	<u>(2,011,974)</u>	<u>(1,564,677)</u>	<u>3,114,001</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,042,881	342,789	(18,015)
Fund balances at beginning of year	<u>12,360,649</u>	<u>2,747,390</u>	<u>2,275,383</u>
Fund balances at end of year	\$ <u>13,403,530</u>	<u>3,090,179</u>	<u>2,257,368</u>

The accompanying notes are an integral part of this statement.

<u>City-Wide Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
-	496,158	1,346,216
-	-	6,279
-	-	338,363
-	-	32,130
-	-	7,418
<u>3,192,121</u>	<u>1,648,123</u>	<u>26,979,854</u>
<u>(1,567,627)</u>	<u>(286,149)</u>	<u>(23,471)</u>
-	-	682,869
-	-	6,413,000
-	-	(6,293,842)
602,151	-	3,596,994
-	-	(4,259,520)
<u>(101,681)</u>	<u>-</u>	<u>(101,681)</u>
<u>500,470</u>	<u>-</u>	<u>37,820</u>
(1,067,157)	(286,149)	14,349
-	885,807	18,269,229
<u>(1,067,157)</u>	<u>599,658</u>	<u>18,283,578</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, 2017**

Net change in fund balances - total governmental funds	\$	14,349
<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	4,966,043	
Less current year depreciation expense	<u>(4,481,127)</u>	484,916
<p>The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(29,844)
<p>Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years.</p>		
		(611,035)
<p>The effect of deferred refunding charges when new debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
		413,843
<p>The amortization of bond premiums and discounts is reported on the fund financial statements when debt is issued but amortized in the Statement of Activities.</p>		
		66,065
<p>Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from:</p>		
Capital lease obligations issued		(682,869)
General obligation refunding bonds, series 2017		(6,413,000)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		8,940,978

CITY OF FLOWOOD, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Contributions made after the measurement date	379,248	
Pension expense	<u>(2,060,675)</u>	\$ (1,681,427)

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

34,374

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	31,236	
Amortization of deferred charges on refunding bonds	(142,854)	
Change in compensated absences	<u>(4,293)</u>	<u>(115,911)</u>

Change in net position of governmental activities \$ 420,439

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2017**

	Business-Type Activities Enterprise Funds				
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	Internal Service Fund
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 6,582,543	10,477	11,372	6,604,392	368,413
Receivables (net of allowance for uncollectibles, where applicable):					
Accounts	828,360	60,250	-	888,610	96,751
Prepaid expenses	81,397	-	-	81,397	-
Total current assets	<u>7,492,300</u>	<u>70,727</u>	<u>11,372</u>	<u>7,574,399</u>	<u>465,164</u>
Restricted assets:					
Customer deposits	513,678			513,678	
Principal reserve escrow account	585,733	-	-	585,733	-
Total restricted assets	<u>1,099,411</u>	<u>-</u>	<u>-</u>	<u>1,099,411</u>	<u>-</u>
Property, plant and equipment:					
Land	766,808	-	-	766,808	-
Machinery and equipment	1,374,431	-	-	1,374,431	-
Water distribution system	62,107,823	-	-	62,107,823	-
R/C Track Park facilities	-	-	49,683	49,683	-
Golf course facilities	-	3,778,760	-	3,778,760	-
	64,249,062	3,778,760	49,683	68,077,505	-
Less: accumulated depreciation	<u>(24,484,291)</u>	<u>(3,610,183)</u>	<u>(9,539)</u>	<u>(28,104,013)</u>	<u>-</u>
	39,764,771	168,577	40,144	39,973,492	-
Construction in progress	3,020,711	101,681	-	3,122,392	-
Net property, plant and equipment	<u>42,785,482</u>	<u>270,258</u>	<u>40,144</u>	<u>43,095,884</u>	<u>-</u>
Total assets	<u>51,377,193</u>	<u>340,985</u>	<u>51,516</u>	<u>51,769,694</u>	<u>465,164</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred charge on refunding	72,908	16,832	-	89,740	-
Deferred outflows related to pension	527,581	-	-	527,581	-
Total deferred outflows of resources	\$ <u>600,489</u>	<u>16,832</u>	<u>-</u>	<u>617,321</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

**Business-Type Activities
Enterprise Funds**

	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	Internal Service Fund
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 904,908	-	547	905,455	194,700
Accrued interest payable	159,477	40,509	-	199,986	-
Accrued liabilities	6,182	-	-	6,182	-
Due to other funds	154,676	122,532	8,904	286,112	-
Compensated absences - current	5,565	-	-	5,565	-
Notes payable - current	165,349	-	-	165,349	-
Bonds payable - current	851,519	260,000	-	1,111,519	-
Total current liabilities	<u>2,247,676</u>	<u>423,041</u>	<u>9,451</u>	<u>2,680,168</u>	<u>194,700</u>
Current liabilities payable from restricted assets:					
Customer deposits	513,678	-	-	513,678	-
Long-term liabilities:					
Compensated absences	45,170	-	-	45,170	-
Notes payable - net of current portion	2,632,031	-	-	2,632,031	-
Bonds payable - net of current portion	9,834,309	2,065,000	-	11,899,309	-
Net pension liability	3,362,786	-	-	3,362,786	-
Total long-term liabilities	<u>15,874,296</u>	<u>2,065,000</u>	<u>-</u>	<u>17,939,296</u>	<u>-</u>
Total liabilities	<u>18,635,650</u>	<u>2,488,041</u>	<u>9,451</u>	<u>21,133,142</u>	<u>194,700</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflows related to pension	316,101	-	-	316,101	-
Total deferred inflows of resources	<u>316,101</u>	<u>-</u>	<u>-</u>	<u>316,101</u>	<u>-</u>
<u>NET POSITION</u>					
Net investment in capital assets	29,302,274	-	40,144	29,342,418	-
Restricted for debt service	585,733	-	-	585,733	-
Unrestricted	3,137,924	(2,130,224)	1,921	1,009,621	270,464
Total net position	<u>\$ 33,025,931</u>	<u>(2,130,224)</u>	<u>42,065</u>	<u>30,937,772</u>	<u>270,464</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				22,598	
Net assets of business-type activities				<u>\$ 30,960,370</u>	

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-Type Activities Enterprise Funds			Totals	Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund		
OPERATING REVENUES:					
Water sales	\$ 2,534,820	-	-	2,534,820	-
Sewer charges	7,155,390	-	-	7,155,390	-
Tap fees and connection fees	483,830	-	-	483,830	-
Late fees	56,089	-	-	56,089	-
Health and dental contributions	-	-	-	-	2,761,414
Golf course revenue	-	389,446	-	389,446	-
R/C track revenue	-	-	41,982	41,982	-
Total operating revenues	<u>10,230,129</u>	<u>389,446</u>	<u>41,982</u>	<u>10,661,557</u>	<u>2,761,414</u>
OPERATING EXPENSES:					
Personal services	2,172,920	-	-	2,172,920	-
Supplies	659,071	-	-	659,071	-
Other service charges	3,055,579	-	-	3,055,579	-
Depreciation	1,778,546	22,207	1,589	1,802,342	-
Claims expense	-	-	-	-	2,724,401
Golf course expenses	-	710,129	-	710,129	-
R/C track expenses	-	-	57,798	57,798	-
Total operating expenses	<u>7,666,116</u>	<u>732,336</u>	<u>59,387</u>	<u>8,457,839</u>	<u>2,724,401</u>
OPERATING INCOME (LOSS)	<u>2,564,013</u>	<u>(342,890)</u>	<u>(17,405)</u>	<u>2,203,718</u>	<u>37,013</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest income	22,718	132	173	23,023	1,455
Loss on disposal of capital assets	(220)	(339,801)	-	(340,021)	-
Bond interest and fiscal charges	(460,432)	(121,106)	-	(581,538)	-
Total nonoperating revenues (expenses)	<u>(437,934)</u>	<u>(460,775)</u>	<u>173</u>	<u>(898,536)</u>	<u>1,455</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>2,126,079</u>	<u>(803,665)</u>	<u>(17,232)</u>	<u>1,305,182</u>	<u>38,468</u>
Capital contributions	-	101,681	-	101,681	-
Transfers in	-	643,526	19,000	662,526	-
CHANGE IN NET POSITION	<u>2,126,079</u>	<u>(58,458)</u>	<u>1,768</u>	<u>2,069,389</u>	<u>38,468</u>
NET POSITION AT BEGINNING OF YEAR	<u>30,899,852</u>	<u>(2,071,766)</u>	<u>40,297</u>	<u>28,868,383</u>	<u>231,996</u>
NET POSITION AT END OF YEAR	<u>\$ 33,025,931</u>	<u>(2,130,224)</u>	<u>42,065</u>	<u>30,937,772</u>	<u>270,464</u>
Net change in net position - total proprietary funds				\$ 2,069,389	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				4,095	
Net change in net position of business-type activities				\$ <u>2,073,484</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, 2017**

	Business-Type Activities				
	Enterprise Funds				Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 10,244,845	338,737	41,982	10,625,564	-
Health and dental contributions received	-	-	-	-	2,681,870
Cash paid to suppliers and employees	(5,117,539)	(711,361)	(57,924)	(5,886,824)	(2,643,914)
Net cash provided by (used in) operating activities	5,127,306	(372,624)	(15,942)	4,738,740	37,956
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	643,526	19,000	662,526	-
Net cash provided by non-capital financing activities	-	643,526	19,000	662,526	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on bonds and notes	(976,546)	(250,000)	-	(1,226,546)	-
Increase (decrease) in amount due to other funds	57,385	171	(6,113)	51,443	-
Interest paid on bonds and notes	(468,249)	(102,221)	-	(570,470)	-
Acquisition of capital assets	(2,645,273)	-	-	(2,645,273)	-
Net cash used in capital and related financing activities	(4,032,683)	(352,050)	(6,113)	(4,390,846)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Earnings on invested proceeds	22,718	132	173	23,023	1,455
Net cash provided by investing activities	22,718	132	173	23,023	1,455
Net increase (decrease) in cash and cash equivalents	1,117,341	(81,016)	(2,882)	1,033,443	39,411
Cash and cash equivalents at beginning of year (including \$1,073,193 in restricted accounts)	6,564,613	91,493	14,254	6,670,360	329,002
Cash and cash equivalents at end of year (including \$1,099,411 in restricted accounts)	\$ 7,681,954	10,477	11,372	7,703,803	368,413

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-Type Activities				
	Enterprise Funds				
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	R/C Park Enterprise Fund	Totals	Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,564,013	(342,890)	(17,405)	2,203,718	37,013
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,778,546	22,207	1,589	1,802,342	-
(Increase) decrease in:					
Accounts receivable	(11,347)	(50,709)	-	(62,056)	(79,544)
Prepaid expenses	(18,221)	-	-	(18,221)	-
Deferred outflows related to pension	179,276	-	-	179,276	-
Increase (decrease) in:					
Accounts payable	473,645	-	(126)	473,519	80,487
Accrued compensated absences	(1,962)	-	-	(1,962)	-
Accrued liabilities	581	(1,232)	-	(651)	-
Customer deposits	26,063	-	-	26,063	-
Compensated absences - long-term	(3,742)	-	-	(3,742)	-
Net pension liability	(110,631)	-	-	(110,631)	-
Deferred inflows related to pension	251,085	-	-	251,085	-
Total adjustments	<u>2,563,293</u>	<u>(29,734)</u>	<u>1,463</u>	<u>2,535,022</u>	<u>943</u>
Net cash provided by (used in) operating activities	\$ <u>5,127,306</u>	<u>(372,624)</u>	<u>(15,942)</u>	<u>4,738,740</u>	<u>37,956</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Amortization of deferred charges	\$ <u>12,151</u>	<u>23,053</u>	<u>-</u>	<u>35,204</u>	<u>-</u>
Amortization of bond premium included in interest expense	\$ <u>(11,390)</u>	<u>-</u>	<u>-</u>	<u>(11,390)</u>	<u>-</u>
Capital contribution - golf course facilities	\$ <u>-</u>	<u>101,681</u>	<u>-</u>	<u>101,681</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
AS OF SEPTEMBER 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,801,496
Receivable (net, where applicable, of allowances for uncollectibles):	
Other governments	<u>1,289,912</u>
 Total assets	 \$ <u><u>3,091,408</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,302,103
Accrued liabilities	465,057
Due to other governments	<u>1,324,248</u>
 Total liabilities	 \$ <u><u>3,091,408</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Individual Component Unit Disclosures

Blended Component Units

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

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

B. Government-Wide and Fund Financial Statements

Basic financial statements consist of the following:

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

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

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

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

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

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

D. Cash and Cash Equivalents

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

E. Receivables

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

F. Prepaid Items

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

G. Deferred Outflows/Inflows of Resources - continued:

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

H. Budgets and Budgetary Accounting

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

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

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

I. Capital Assets

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

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. Capital Assets - continued:

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at acquisition value.

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

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

J. Unearned Revenue and Deferred Inflows of Resources

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

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. The accrual rate is based on the years of service. Employees are allowed to carryover the equivalent of one year's accrual plus three days. Any amount of vacation in excess of the carryover amount is forfeited if not used by December 31. For the proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the fund financial statements all of the compensated absences are considered long-term and, therefore, are not a fund liability. An accrual of \$440,219 has been made in the Statement of Net Position for vacation time at September 30, 2017. No liability is recorded for nonvesting accumulating rights to receive sick pay.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

L. Net Position and Fund Balances

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

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

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

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

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

L. Net Position and Fund Balances - continued:

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

M. Restricted Assets

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

N. Capitalization of Interest

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

O. Pensions

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

P. Long-Term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. The unamortized portion of the deferred amount on refunding is recorded as either a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

P. Long-Term Liabilities - continued:

the unamortized portion of applicable premium or discount. Bond issuance costs are expensed during the current period. Amortization of bond premiums, discounts, and deferred amounts on refunding are included in interest expense.

Q. Use of Estimates

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

NOTE 2 - PROPERTY TAX

Property taxes for fiscal year 2017 were levied in September 2016 on the assessed valuation of property located in the City of Flowood, Mississippi as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2018 property taxes levied in September 2017. The City has recorded deferred inflows for the estimated fiscal year 2018 real and personal property taxes as of September 30, 2017.

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own public utility taxes. Real, personal property, automobile ad valorem taxes and certain road taxes are collected by the tax collector of Rankin County and are disbursed to the City accordingly. Current collections of real, public utility, and personal property taxes for the year ended September 30, 2017 were approximately 99% of the total tax levy.

The tax rate levied by the City for 2017 was set at 20.0 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2017:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 8,586,439	-	-	-	8,586,439
Recreation and tourism special tax fund	-	-	3,028,248	-	3,028,248
City-wide debt service	-	-	2,636,206	-	2,636,206
City-wide capital projects	-	-	1,602,619	-	1,602,619
Nonmajor governmental funds	-	-	641,885	-	641,885
Internal service fund	368,413	-	-	-	368,413
Total governmental activities	<u>8,954,852</u>	<u>-</u>	<u>7,908,958</u>	<u>-</u>	<u>16,863,810</u>
Business-type activities:					
Water and sewer fund	6,582,543	-	1,099,411	-	7,681,954
Golf course fund	10,477	-	-	-	10,477
R/C park fund	11,372	-	-	-	11,372
Total business-type activities	<u>6,604,392</u>	<u>-</u>	<u>1,099,411</u>	<u>-</u>	<u>7,703,803</u>
Government-wide total	<u>\$ 15,559,244</u>	<u>-</u>	<u>9,008,369</u>	<u>-</u>	<u>24,567,613</u>

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at September 30, 2017 are summarized as follows:

	Reported Amount	Bank Balance
Cash	\$ <u>24,567,613</u>	<u>24,921,718</u>
Total deposits	\$ <u>24,567,613</u>	<u>24,921,718</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits - continued:

The difference of \$354,105 was principally due to outstanding checks. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2017, \$23,921,718 of the City's bank balance of \$24,921,718 was exposed to custodial credit risk as follows:

Guaranty Pool	\$ <u>23,921,718</u>
Total	\$ <u>23,921,718</u>

NOTE 4 - RECEIVABLES

Receivables at September 30, 2017 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>Due from Other Governments</u>	<u>Grants</u>	<u>Total Receivables</u>
Governmental activities:						
General fund	\$ 2,130,205	6,622,350	2,169,781	-	-	10,922,336
Recreation and tourism special tax fund	-	481,487	-	-	-	481,487
City-wide debt service fund	-	461,255	928,108	5,053,428	-	6,442,791
City-wide capital projects	-	-	-	-	21,874	21,874
Other non-major funds	-	-	-	-	10,504	10,504
Gross receivables	2,130,205	7,565,092	3,097,889	5,053,428	32,378	17,878,992
Less: Allowance for uncollectible accounts	<u>(952,818)</u>	-	-	-	-	<u>(952,818)</u>
Total governmental activities	<u>1,177,387</u>	<u>7,565,092</u>	<u>3,097,889</u>	<u>5,053,428</u>	<u>32,378</u>	<u>16,926,174</u>
Business-type activities:						
Water and sewer fund	1,049,102	-	-	-	-	1,049,102
Golf course fund	60,250	-	-	-	-	60,250
Gross receivables	1,109,352	-	-	-	-	1,109,352
Less: Allowance for uncollectible accounts	<u>(220,742)</u>	-	-	-	-	<u>(220,742)</u>
Total business-type activities	<u>888,610</u>	-	-	-	-	<u>888,610</u>
Government-wide total	\$ <u>2,065,997</u>	<u>7,565,092</u>	<u>3,097,889</u>	<u>5,053,428</u>	<u>32,378</u>	<u>17,814,784</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at September 30, 2017 were as follows:

	<u>Rankin County, MS</u>
City-Wide Debt Service Fund - Tax Increment Financing Bonds	\$ <u>5,053,428</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Balance at October 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at September 30, 2017</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 35,897,066	1,606,963	-	37,504,029
Construction in progress	<u>1,745,803</u>	<u>1,585,157</u>	<u>(2,269,045)</u>	<u>1,061,915</u>
Total	<u>37,642,869</u>	<u>3,192,120</u>	<u>(2,269,045)</u>	<u>38,565,944</u>
Buildings	15,992,614	27,880	-	16,020,494
Improvements other than buildings	18,919,679	2,379,594	-	21,299,273
Machinery and equipment	10,299,257	1,629,663	(271,415)	11,657,505
Infrastructure	<u>103,942,085</u>	<u>5,831</u>	<u>-</u>	<u>103,947,916</u>
Total	<u>149,153,635</u>	<u>4,042,968</u>	<u>(271,415)</u>	<u>152,925,188</u>
Total capital assets	<u>186,796,504</u>	<u>7,235,088</u>	<u>(2,540,460)</u>	<u>191,491,132</u>
Less accumulated depreciation for:				
Buildings	(2,756,502)	(268,902)	-	(3,025,404)
Improvements other than buildings	(4,771,479)	(729,532)	-	(5,501,011)
Machinery and equipment	(6,634,791)	(940,523)	241,569	(7,333,745)
Infrastructure	<u>(53,780,541)</u>	<u>(2,542,170)</u>	<u>-</u>	<u>(56,322,711)</u>
Total accumulated depreciation	<u>(67,943,313)</u>	<u>(4,481,127)</u>	<u>241,569</u>	<u>(72,182,871)</u>
Total governmental activities - capital assets, net	\$ <u>118,853,191</u>	<u>2,753,961</u>	<u>(2,298,891)</u>	<u>119,308,261</u>

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

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

General government	\$ 134,118
Public safety	917,981
Court	2,350
Public property maintenance	137,829
Street maintenance	2,658,725
Recreation	614,182
Shop and maintenance	2,459
Landscape	5,413
Health	2,321
Legal	1,139
Engineering	<u>4,610</u>
Total depreciation expense - governmental activities	\$ <u>4,481,127</u>

	Balance at October 1, 2016	Increases	Decreases	Balance at September 30, 2017
Business-type activities:				
Nondepreciable assets:				
Land	\$ 766,808	-	-	766,808
Construction in progress	<u>686,970</u>	<u>2,435,422</u>	-	<u>3,122,392</u>
Total	<u>1,453,778</u>	<u>2,435,422</u>	-	<u>3,889,200</u>
Depreciable assets:				
Machinery and equipment	1,464,916	59,500	(149,985)	1,374,431
Water distribution systems	61,855,791	252,032	-	62,107,823
Golf course facilities	4,383,961	-	(605,201)	3,778,760
R/C park facilities	<u>49,683</u>	-	-	<u>49,683</u>
Total	<u>67,754,351</u>	<u>311,532</u>	<u>(755,186)</u>	<u>67,310,697</u>
Total capital assets	<u>69,208,129</u>	<u>2,746,954</u>	<u>(755,186)</u>	<u>71,199,897</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,233,896)	(49,148)	149,766	(1,133,278)
Water distribution systems	(21,621,615)	(1,729,398)	-	(23,351,013)
Golf course facilities	(3,853,378)	(22,206)	265,400	(3,610,184)
R/C park facilities	<u>(7,948)</u>	<u>(1,590)</u>	-	<u>(9,538)</u>
Total accumulated depreciation	<u>(26,716,837)</u>	<u>(1,802,342)</u>	<u>415,166</u>	<u>(28,104,013)</u>
Total business-type activities - capital assets, net	\$ <u>42,491,292</u>	<u>944,612</u>	<u>(340,020)</u>	<u>43,095,884</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - CAPITAL ASSETS - CONTINUED:

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

Golf course	\$ 22,206
Water and sewer	1,778,546
R/C park facilities	<u>1,590</u>
Total depreciation expense - business-type activities	<u>\$ 1,802,342</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2017:

	Beginning Balance October 1, 2016	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2017	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 24,194,572	6,413,000	7,574,760	23,032,812	1,791,903
General obligation premium	714,234	-	54,941	659,293	54,941
Limited obligation bonds	3,506,000	-	256,000	3,250,000	268,500
Limited obligation discount	(50,600)	-	(3,615)	(46,985)	(3,615)
Special obligation bonds	11,088,849	-	870,686	10,218,163	895,968
Special obligation premium	221,349	-	14,739	206,610	14,739
Capital lease obligations	861,279	682,869	239,534	1,304,614	375,132
Compensated absences	<u>385,191</u>	<u>4,293</u>	<u>-</u>	<u>389,484</u>	<u>53,655</u>
Government activities total	<u>40,920,874</u>	<u>7,100,162</u>	<u>9,007,045</u>	<u>39,013,991</u>	<u>3,451,223</u>
Business-type activities:					
Revenue bonds	6,105,000	-	695,000	5,410,000	720,000
General obligation bonds	1,550,428	-	70,240	1,480,188	71,097
General obligation premium	45,251	-	3,481	41,770	3,481
Special obligation bonds	6,266,142	-	299,313	5,966,829	309,032
Special obligation premium	119,950	-	7,909	112,041	7,909
Notes	2,959,373	-	161,993	2,797,380	165,349
Compensated absences	<u>56,439</u>	<u>-</u>	<u>5,704</u>	<u>50,735</u>	<u>5,565</u>
Business-type activities total	<u>17,102,583</u>	<u>-</u>	<u>1,243,640</u>	<u>15,858,943</u>	<u>1,282,433</u>
Government-wide total	<u>\$ 58,023,457</u>	<u>7,100,162</u>	<u>10,250,685</u>	<u>54,872,934</u>	<u>4,733,656</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2017 were as follows:

Fiscal Year Ending September 30,	General		Limited		Governmental Activities				Total	
	Obligation Bonds		Obligation Bonds		Special		Leases Payable			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,846,844	640,849	264,885	143,425	910,707	396,605	375,133	32,685	3,397,569	1,213,564
2019	1,921,560	585,083	277,385	132,296	937,934	369,141	255,462	23,614	3,392,341	1,110,134
2020	2,085,468	524,470	289,885	120,647	528,215	338,398	261,972	17,105	3,165,540	1,000,620
2021	2,149,042	462,133	301,385	108,242	543,497	322,993	268,648	10,429	3,262,572	903,797
2022	2,216,902	401,005	281,385	95,208	558,779	307,130	143,399	3,585	3,200,465	806,928
2023-2027	9,804,693	1,135,960	1,403,925	278,055	3,108,705	1,216,396	-	-	14,317,323	2,630,411
2028-2032	3,667,596	141,289	384,165	28,463	3,836,936	479,848	-	-	7,888,697	649,600
2033-2037	-	-	-	-	-	-	-	-	-	-
	<u>\$ 23,692,105</u>	<u>3,890,789</u>	<u>3,203,015</u>	<u>906,336</u>	<u>10,424,773</u>	<u>3,430,511</u>	<u>1,304,614</u>	<u>87,418</u>	<u>38,624,507</u>	<u>8,315,054</u>

Fiscal Year Ending September 30,	General		Revenue Bonds		Business-Type Activities				Total	
	Obligation Bonds		Obligation Bonds		Special		Notes Payable			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 74,578	51,472	720,000	200,153	316,941	233,193	165,349	49,588	1,276,868	534,406
2019	78,862	49,275	750,000	175,753	324,714	224,694	168,380	46,556	1,321,956	496,278
2020	155,954	45,858	775,000	149,853	334,433	215,190	171,467	43,470	1,436,854	454,371
2021	159,380	41,232	810,000	121,601	344,151	205,394	174,610	40,327	1,488,141	408,554
2022	164,520	35,673	850,000	90,319	353,869	195,307	177,812	37,125	1,546,201	358,424
2023-2027	662,417	90,651	1,505,000	83,747	1,969,534	773,517	939,183	135,502	5,076,134	1,083,417
2028-2032	226,247	7,735	-	-	2,435,228	305,140	964,088	46,502	3,625,563	359,377
2033-2037	-	-	-	-	-	-	36,491	234	36,491	234
	<u>\$ 1,521,958</u>	<u>321,896</u>	<u>5,410,000</u>	<u>821,426</u>	<u>6,078,870</u>	<u>2,152,435</u>	<u>2,797,380</u>	<u>399,304</u>	<u>15,808,208</u>	<u>3,695,061</u>

Bonds and notes payable at September 30, 2017 are comprised of the following individual issues:

General Obligation Bonds:

\$3,250,000 1999 Roadway Improvement Bonds due in annual installments of \$95,000 to \$250,000, payable on 1-1 of each year through 1-1-2019; and interest at 4.25% to 4.75%, payable on 1-1 and 7-1 of each year.	\$ 490,000
\$10,715,000 Refunding Series 2010 due in annual installments of \$340,000 to \$765,000, payable on 3-1 of each year through 3-1-30; and interest at 3.00% to 4.375%, payable on 3-1 and 9-1 of each year.	1,985,000
\$1,540,000 Special Assessment Bonds Series 2009 due in annual installments of \$78,000 to \$738,000 on 11-1 of each year through 11-1-2029; and interest at 3.20% to 4.5%, payable on 5-1 and 11-1 of each year.	1,150,000

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

General Obligation Bonds - continued:

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

\$9,450,000 Refunding Series 2014 due in annual installments of \$400,000 to \$650,000, payable on 10-1 of each year through 10-1-28, net of unamortized premium of \$701,063 at September 30, 2017; and interest at 2.00% to 4.00%, payable on 4-1 and 10-1 of each year.

General Fund	\$ 7,819,105	
Water & Sewer Enterprise Fund	<u>1,521,958</u>	9,341,063

\$5,200,000 Tax-Exempt Refunding Series 2015 due in annual installments of \$330,000 to \$560,000, payable on 11-1 of each year through 11-1-25; and interest at 1.7125%, payable on 5-1 and 11-1 of each year. 4,260,000

\$1,845,000 Taxable Refunding Series 2015 due in annual installments of \$135,000 to \$180,000, payable on 11-1 of each year through 11-1-26; and interest at 3.28%, payable on 5-1 and 11-1 of each year. 1,575,000

\$ 25,214,063

Revenue Bonds:

\$4,255,000 Mississippi Development Bank Special Obligation Bonds, Series 2007, due in annual installments beginning 11-1-2008 with the annual principal payments increasing to a final payment of \$305,000 due 11-1-2024; and interest at 4.00% to 4.375%, payable on 5-1 and 11-1 of each year. \$ 2,325,000

\$5,730,000 Mississippi Development Bank Special Obligations Bonds, water and sewer system refunding project series 2010A, due in annual installments of \$180,000 beginning 6-1-11 with the annual principal payments increasing to a final payment of \$570,000, due 6-1-2023; and interest at 2.80%, payable on 6-1 and 12-1 of each year. 3,085,000

\$ 5,410,000

CITY OF FLOWOOD, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds:

<p>\$380,000 2001 Tax Increment Financing Bond due in annual installments of \$5,000 to \$36,000, payable on 4-1-2007 through 4-1-2021; and interest at 4.52%, payable on 10-1 and 4-1 of each year beginning with 10-1-2006 and ending with 4-1-2021.</p>	<p>\$ 135,000</p>
<p>\$1,695,000 2006 Tax Increment Financing Bond due in annual installments of \$110,000 to \$380,000, payable 5-1-2009 through 5-1-2026; and interest varying annually from 3.70% to 4.50%, payable on 5-1 and 11-1 of each year beginning with 5-1-2009 and ending with 5-1-2026. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually.</p>	<p>995,000</p>
<p>\$320,000 Tax Increment Financing Bond due in annual installments of \$7,000 to \$29,000, payable 5-1-2011 through 5-1-2025; and interest at 4.00%, payable on 5-1 and 11-1 of each year beginning with 5-1-11 and ending with 5-1-2025. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 20.00 mills annually.</p>	<p>200,000</p>
<p>\$2,700,000 Tax Increment Financing Bond due in annual installments of \$100,000 to \$200,000, payable 5-1-2011 through 5-1-2029; and interest varying annually from 3.00% to 4.80%, payable on 5-1 and 11-1 of each year beginning with 5-1-10 and ending with 5-1-2029, net of unamortized discount of \$46,985 at September 30, 2017. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an interlocal cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 20.00 mills annually.</p>	<p>1,873,015</p>
	<p>\$ <u>3,203,015</u></p>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Special Obligation Bonds:

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

\$ 834,992

\$19,080,000 Mississippi Development Bank Special Obligation Bonds, Refunding Project Series 2011. The funds were used to refund all the notes payable to the Mississippi Development Bank. The bonds are due in annual installments of \$725,000 to \$1,335,000 payable on November 1, 2012 through November 1, 2031, net of unamortized premium of \$318,651 at September 30, 2017. Interest is at 2.00% to 5.00%, payable on 5-1 and 11-1 of each year beginning 5-1-12 and ending 11-1-31, net of unamortized premium of \$341,299 at September 30, 2016:

General Fund	\$ 9,589,781	
Water & Sewer Enterprise Fund	<u>6,078,870</u>	<u>15,668,651</u>
		\$ <u>16,503,643</u>

Notes:

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

\$ 813,549

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

1,983,831
 \$ 2,797,380

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Capital Lease Obligations

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2018	\$ 375,132	32,684	407,816
2019	255,463	23,614	279,077
2020	261,972	17,105	279,077
2021	268,648	10,429	279,077
2022	<u>143,399</u>	<u>3,585</u>	<u>146,984</u>
Total lease payments	\$ <u>1,304,614</u>	<u>87,417</u>	<u>1,392,031</u>

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

Advance Refunding

During fiscal year 2015, the City issued \$9,450,000 General Obligation Refunding Bonds, Series 2014. Of the proceeds, \$6,189,817 was deposited into an irrevocable trust to provide for future debt service payments on certain maturities of the \$9,125,000 Mississippi Development Bank Special Obligation Bonds, Series 2009 Refunding Project, callable as of January 1, 2019. As a result, the refunded portion of the Series 2009 bonds is considered defeased and the escrowed assets and liability for the bonds have been removed from the financial statements. The balance of the bonds considered defeased was \$5,365,000 at September 30, 2017. The reacquisition price exceeded the net carrying amount of the old debt by \$824,826. This amount is amortized over the life of the refunded debt, which is the same as the original debt and is presented as a deferred outflow of resources. The unamortized balance at September 30, 2017 was \$595,853. This advance refunding was undertaken to reduce debt service payments over the next fourteen years by \$826,584 and resulted in an economic gain of \$722,125.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Advance Refunding - continued:

During fiscal year 2017, the City issued \$6,413,000 General Obligation Refunding Bonds, Series 2017. Of the proceeds, \$6,293,842 was deposited into an irrevocable trust to provide for future debt service payments on certain maturities of the \$10,715,000 Refunding Series 2010, callable as of March 1, 2020. As a result, the refunded portion of the Series 2010 bonds is considered defeased and the escrowed assets and liability for the bonds have been removed from the financial statements. The balance of the bonds considered defeased was \$5,880,000 at September 30, 2017. The reacquisition price exceeded the net carrying amount of the old debt by \$413,843. This amount is amortized over the life of the refunded debt, which is the same as the original debt and is presented as a deferred outflow of resources. The unamortized balance at September 30, 2017 was \$413,843. This advance refunding was undertaken to reduce debt service payments over the next thirteen years by \$443,946, which equates to a net present value savings of \$380,865.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2017:

Advances

Advances to/from other funds at September 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Nonmajor Funds	\$ 10,504
	City-Wide Debt Service	358,225
	Water and Sewer Enterprise Fund	154,276
	R/C Track Fund	8,904
	Golf Course Enterprise Fund	122,532
	Recreational and Tourism	1,190,629
	City-Wide Capital Projects	1,473,407
Recreational and Tourism	City-Wide Capital Projects	811,247
	Water and Sewer Enterprise Fund	400
		<u>\$ 4,130,124</u>

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES - CONTINUED:

Transfers

Transfers in/out from other funds at September 30, 2017 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
City-Wide Debt Service	General Fund	\$ 2,694,943
	Recreational and Tourism	300,000
Golf Course Enterprise Fund	Recreational and Tourism	643,526
City-Wide Capital Projects	Recreational and Tourism	602,151
R/C Track Fund	Recreational and Tourism	<u>19,000</u>
		<u>\$ 4,259,620</u>

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

NOTE 9 - CONTINGENT LIABILITIES

Grant Audits

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

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

Litigation

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

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

For the year ended September 30, 2017, the City's total payroll for all employees was \$9,915,952. Total covered payroll was \$9,846,592. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ended September 30, 2017, 2016 and 2015 were \$1,550,838, \$1,507,347 and \$1,470,323, respectively, which equaled the required contributions for each year.

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

At September 30, 2017, the City reported a liability of \$25,350,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.1525 percent, which was an increase of 0.0031 percent from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$3,551,995. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual results	\$ 379,897	192,320
Changes in assumptions	554,606	46,010

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Plan investments	\$ 2,258,586	1,958,731
Changes in proportion and differences between City contributions and proportionate share of contributions	404,883	185,894
City contributions subsequent to the measurement date	<u>379,248</u>	<u>-</u>
Total	\$ <u>3,977,220</u>	<u>2,382,955</u>

The \$379,248 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30,	
2018	\$ 1,048,404
2019	555,387
2020	100,909
2021	<u>(489,683)</u>
Total	\$ <u>1,215,017</u>

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

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

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

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

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2017, actuarial valuations, calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	City's Proportionate Share of Net <u>Pension Liability</u>
1.00% decrease (6.75%)	\$ 33,249,104
Current discount rate (7.75%)	25,350,675
1.00% increase (8.75%)	20,318,264

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

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in State insurance funds for risks of loss for all liability and workers' compensation insurance. Settled claims resulting from these risks have not exceeded State insurance coverage in any of the past three fiscal years.

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 - HEALTH SELF-INSURANCE PLAN

The City has established a Risk Pool Agreement authorized by Section 25-15-101 of the Mississippi Code to be self-insured for its employee group health and dental plan. The City contributes \$767 per month per employee to the plan to cover each employee and each employee, at their option, authorizes payroll withholdings to pay contributions for dependent coverage. The City's monthly premiums to cover all employees have been expensed in the General Fund and the Water and Sewer Enterprise Fund in the same manner as the employees' salary.

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

An excess loss insurance policy issued by Standard Life Insurance Company is in effect to reimburse the City for claims for any covered person in excess of \$50,000 incurred and paid during the policy year. In addition, the policy will reimburse the City if total losses for the policy year exceed the annual aggregate attachment point (AAAP). The AAAP is an amount equal to the product of an aggregate monthly factor times the number of covered individuals.

For the fiscal year ended September 30, 2017, the City was reimbursed \$206,987 for losses in excess of \$50,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at September 30, 2017 is based on the requirements that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on numerous complex factors, the process used in computing the claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in this claims liability during fiscal years 2015 through 2017 were as follows:

	Beginning of <u>Fiscal Year</u>	Claims and Changes in <u>Estimates</u>	Claims <u>Payments</u>	Balance at End of <u>Fiscal Year</u>
2014-2015	\$ 189,621	1,721,233	1,770,663	140,191
2015-2016	140,191	1,688,312	1,714,290	114,213
2016-2017	114,213	1,789,974	1,709,487	194,700

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 13 - COMMITMENTS

At September 30, 2017, the City had entered into contracts to acquire and construct municipal facilities and infrastructure as follows:

Project	Contract Type	Total Contract Amount	Cost Incurred as of September 30, 2017	Commitment Outstanding as of September 30, 2017
Water Utility Improvements	Engineering	\$ 1,487,529	894,887	592,642
Liberty Road and Northeast Water Wells	Construction	892,315	200,067	692,248
Northeast Water Tank on MS Hwy 25	Construction	1,601,000	673,910	927,090
Northeast Well and Liberty Road Well	Construction	1,991,140	506,142	1,484,998
Conference Center Project	Engineering	250,000	69,287	180,713
Conference Center Project Site Improvements	Construction	2,535,423	583,800	1,951,623
 Total			\$	<u>5,829,314</u>

NOTE 14 - FUND DEFICIT

Golf Course Enterprise Fund - The fund had a deficit fund balance of \$2,130,224 as of September 30, 2017.

City-wide Capital Projects Fund - The fund had a deficit fund balance of \$1,067,157 as of September 30, 2017. This deficit will be satisfied with the issuance of general obligation bonds during fiscal year 2018 to provide funding for the conference center project.

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The implementation of this statement did not impact the City's financial statements.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

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

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued in December 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015, enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14, issued January 2016, enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The implementation of this statement did not impact the City's financial statements.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73, issued March 2016, improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The Board proposed that this Statement be effective for reporting periods beginning after June 15, 2016. The implementation of this statement did not have a significant impact on the City's financial statements.

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. This accounting pronouncement is not expected to impact the City's financial statements.

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

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

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

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

NOTE 16 - TAX ABATEMENTS

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 16 - TAX ABATEMENTS - CONTINUED:

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

For the fiscal year ended September 30, 2017, the City abated ad valorem taxes for local businesses in the amount of \$190,135 as allowed by Section 27-31-101 and Section 27-31-105, Mississippi Code of 1972, as amended. The exemptions expire in fiscal years 2018 through 2022.

NOTE 17 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through March 28, 2018, the date the financial statements were approved by the City's management and thereby available to be issued, except as follows:

In November, 2017 the City issued a total of \$25,000,000 in General Obligation Bonds. The proceeds from the issuance of the bonds is to be used for various capital projects within the City.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<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	\$ 5,015,000	5,015,000	5,152,573	137,573
Prior years ad valorem	22,000	28,000	24,634	(3,366)
Interest and penalties	10,000	15,000	19,788	4,788
Special assessments	180,000	180,000	211,025	31,025
Franchise fees	550,000	515,000	517,595	2,595
Licenses and permits	350,000	550,000	525,231	(24,769)
Intergovernmental	12,065,000	11,970,000	11,970,339	339
Charges for services	10,000	11,000	65,746	54,746
Fines and forfeits	1,100,000	975,000	1,042,206	67,206
Proceeds from disposal of assets	-	15,000	-	(15,000)
Interest earned	15,000	25,000	27,122	2,122
Miscellaneous	75,000	95,000	109,130	14,130
Total revenues	<u>19,392,000</u>	<u>19,394,000</u>	<u>19,665,389</u>	<u>271,389</u>
EXPENDITURES:				
General government	1,347,000	1,340,000	1,274,516	65,484
Public safety	10,406,600	10,985,000	10,357,676	627,324
Court	809,000	667,000	633,591	33,409
Public property maintenance	807,500	724,000	605,029	118,971
Sanitation	315,000	320,000	316,797	3,203
Health	71,000	96,000	89,534	6,466
Street maintenance	1,753,500	2,081,500	1,908,616	172,884
Shop and maintenance	596,650	554,500	498,033	56,467
Landscape	516,500	508,000	480,287	27,713
Legal	339,000	306,000	291,251	14,749
Engineering	129,300	127,500	118,379	9,121
Total expenditures	<u>17,091,050</u>	<u>17,709,500</u>	<u>16,573,709</u>	<u>1,135,791</u>
Excess of revenues over expenditures	<u>2,300,950</u>	<u>1,684,500</u>	<u>3,091,680</u>	<u>1,407,180</u>
Other financing sources (uses):				
Proceeds from capital lease	-	680,000	682,869	2,869
Transfers out	(4,460,500)	(3,260,500)	(2,694,843)	565,657
Total financing sources (uses)	<u>(4,460,500)</u>	<u>(2,580,500)</u>	<u>(2,011,974)</u>	<u>568,526</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED:				
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ (2,159,550)	(896,000)	1,079,706	1,975,706
Fund balances at beginning of year	<u>10,213,732</u>	<u>10,213,732</u>	<u>10,213,732</u>	<u>-</u>
Fund balance at end of year	\$ <u>8,054,182</u>	<u>9,317,732</u>	<u>11,293,438</u>	<u>1,975,706</u>

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

Fund Balance - budgetary basis	\$ 11,293,438
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	112,337
Intergovernmental	1,896,514
Police fines	43,792
Prepaid expenses	112,799
Less: accounts payable paid after October 30, 2017	<u>(55,350)</u>
Fund Balance - GAAP basis	\$ <u>13,403,530</u>

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u>	<u>Final Budget</u> <u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
General government:				
Personal services	\$ 890,000	920,000	916,280	3,720
Supplies	52,000	65,000	58,246	6,754
Other services and charges	370,000	340,000	296,211	43,789
Capital outlay	35,000	15,000	3,779	11,221
Total general government	<u>1,347,000</u>	<u>1,340,000</u>	<u>1,274,516</u>	<u>65,484</u>
Public safety:				
Police:				
Personal services	4,180,000	4,340,000	4,177,864	162,136
Supplies	340,000	285,000	259,782	25,218
Other services and charges	453,800	435,000	407,920	27,080
Capital outlay	239,800	230,000	229,720	280
Total police	<u>5,213,600</u>	<u>5,290,000</u>	<u>5,075,286</u>	<u>214,714</u>
Fire:				
Personal services	4,400,000	4,250,000	3,988,620	261,380
Supplies	240,000	200,000	140,231	59,769
Other services and charges	340,000	310,000	272,371	37,629
Capital outlay	213,000	935,000	881,168	53,832
Total fire	<u>5,193,000</u>	<u>5,695,000</u>	<u>5,282,390</u>	<u>412,610</u>
Total public safety	<u>10,406,600</u>	<u>10,985,000</u>	<u>10,357,676</u>	<u>627,324</u>
Court:				
Personal services	525,000	470,000	460,220	9,780
Supplies	14,000	12,000	8,514	3,486
Other services and charges	260,000	175,000	158,578	16,422
Capital outlay	10,000	10,000	6,279	3,721
Total court	<u>809,000</u>	<u>667,000</u>	<u>633,591</u>	<u>33,409</u>
Public property maintenance:				
Personal services	77,000	79,000	76,676	2,324
Supplies	47,000	40,000	35,427	4,573
Other services and charges	583,500	540,000	460,796	79,204
Capital outlay	100,000	65,000	32,130	32,870
Total public property maintenance	<u>807,500</u>	<u>724,000</u>	<u>605,029</u>	<u>118,971</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
			<u>Basis)</u>	
Sanitation:				
Personal services	\$ -	-	-	-
Supplies	-	-	-	-
Other services and charges	315,000	320,000	316,797	3,203
Capital outlay	-	-	-	-
Total sanitation	<u>315,000</u>	<u>320,000</u>	<u>316,797</u>	<u>3,203</u>
Health:				
Personal services	24,000	26,500	24,631	1,869
Supplies	45,500	68,000	64,903	3,097
Other services and charges	1,500	1,500	-	1,500
Capital outlay	-	-	-	-
Total health	<u>71,000</u>	<u>96,000</u>	<u>89,534</u>	<u>6,466</u>
Street maintenance:				
Personal services	1,240,000	1,255,000	1,231,412	23,588
Supplies	-	-	-	-
Other services and charges	188,500	466,500	338,841	127,659
Capital outlay	<u>325,000</u>	<u>360,000</u>	<u>338,363</u>	<u>21,637</u>
Total street maintenance	<u>1,753,500</u>	<u>2,081,500</u>	<u>1,908,616</u>	<u>172,884</u>
Shop:				
Personal services	260,000	230,000	194,464	35,536
Supplies	277,950	270,000	260,199	9,801
Other services and charges	56,200	52,000	43,370	8,630
Capital outlay	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total shop	<u>596,650</u>	<u>554,500</u>	<u>498,033</u>	<u>56,467</u>
Landscape:				
Personal services	376,000	365,000	354,273	10,727
Supplies	109,000	100,000	86,472	13,528
Other services and charges	31,500	35,000	32,124	2,876
Capital outlay	<u>-</u>	<u>8,000</u>	<u>7,418</u>	<u>582</u>
Total landscape	<u>516,500</u>	<u>508,000</u>	<u>480,287</u>	<u>27,713</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	Legal:			
Personal services	\$ 312,000	280,000	269,811	10,189
Supplies	5,000	2,000	963	1,037
Other services and charges	22,000	24,000	20,477	3,523
Capital outlay	-	-	-	-
Total legal	<u>339,000</u>	<u>306,000</u>	<u>291,251</u>	<u>14,749</u>
Engineering:				
Personal services	108,000	108,000	101,739	6,261
Supplies	7,500	7,500	6,370	1,130
Other services and charges	13,800	12,000	10,270	1,730
Capital outlay	-	-	-	-
Total engineering	<u>129,300</u>	<u>127,500</u>	<u>118,379</u>	<u>9,121</u>
Total expenditures	\$ <u>17,091,050</u>	<u>17,709,500</u>	<u>16,573,709</u>	<u>1,135,791</u>

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RECREATION AND TOURISM SPECIAL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<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	\$ 2,720,000	2,800,000	2,820,156	20,156
Contributions	50,000	50,000	83,497	33,497
Interest earned	6,500	9,000	8,935	(65)
Charges for services	86,000	84,000	126,574	42,574
Miscellaneous	-	-	-	-
Total revenues	<u>2,862,500</u>	<u>2,943,000</u>	<u>3,039,162</u>	<u>96,162</u>
EXPENDITURES:				
Recreation:				
Personal services	775,000	635,000	615,299	19,701
Supplies	183,400	170,000	160,449	9,551
Other services and charges	406,100	360,000	343,511	16,489
Capital outlay	57,700	70,000	61,567	8,433
Total expenditures	<u>1,422,200</u>	<u>1,235,000</u>	<u>1,180,826</u>	<u>54,174</u>
Excess of revenues over expenditures	1,440,300	1,708,000	1,858,336	150,336
Other financing sources (uses):				
Transfers out	<u>(2,280,000)</u>	<u>(4,609,000)</u>	<u>(1,564,677)</u>	<u>3,044,323</u>
Total other financing sources (uses)	<u>(2,280,000)</u>	<u>(4,609,000)</u>	<u>(1,564,677)</u>	<u>3,044,323</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(839,700)	(2,901,000)	293,659	3,194,659
Fund balance at beginning of year	<u>2,315,033</u>	<u>2,315,033</u>	<u>2,315,033</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,475,333</u>	<u>(585,967)</u>	<u>2,608,692</u>	<u>3,194,659</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 2,608,692
Adjustment to GAAP basis:	
Add accrued sales tax revenue	<u>481,487</u>
Fund balance - GAAP basis	\$ <u>3,090,179</u>

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the collective net pension liability	*	*	*	*	*	*	*	\$23,140,668	26,686,571	25,350,675
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	0.1497%	0.1494%	0.1525%
City's covered payroll	*	*	*	*	*	*	*	\$ 9,352,502	9,560,603	9,782,089
City's proportionate share of the net pension liability as a percentage of its covered payroll	*	*	*	*	*	*	*	247.43%	279.13%	259.15%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	*	61.70%	57.74%	61.49%

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

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined employer contribution	*	*	*	*	*	*	*	\$ 1,470,323	1,507,347	1,550,838
Contributions in relation to the actuarially determined contributions	<u>*</u>	<u>1,470,323</u>	<u>1,507,347</u>	<u>1,550,838</u>						
Annual contribution deficiency (excess)	<u>*</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>						
City's covered payroll	*	*	*	*	*	*	*	\$ 9,335,386	9,570,458	9,846,592
Actual contributions as a percentage of covered payroll	*	*	*	*	*	*	*	15.75%	15.75%	15.75%

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

See accompanying notes to required supplemental information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SEPTEMBER 30, 2017**

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

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

Pension Schedules

NOTE A - VALUATION DATE

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

NOTE B - CHANGES OF BENEFIT TERMS

None.

NOTE C - CHANGES OF ASSUMPTIONS

The expectation of the retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

NOTE D - DATA AVAILABLE AND PRESENTED

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

SUPPLEMENTARY INFORMATION

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2017**

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

SINGLE AUDIT SECTION



CPAs & Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Flowood, Mississippi's basic financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Haddox Reid Embank Better PLLC

Jackson, Mississippi
March 28, 2018



CPAs & Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Flowood, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Flowood, Mississippi's major federal programs for the year ended September 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Flowood, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Flowood, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Flowood, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City of Flowood, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Flowood, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Flowood, Mississippi's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jackson, Mississippi
March 28, 2018

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CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor / Pass-Through Grantor / Program or <u>Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>
U.S. Department of Transportation:		
Pass-through programs from:		
Mississippi Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	106347 701000
Highway Planning and Construction	20.205	100551 106000
Highway Planning and Construction	20.205	103215 823000
Highway Planning and Construction	20.205	103215 802000
Highway Planning and Construction	20.205	103215 101000
Total Highway Planning and Construction Cluster		
Pass-through programs from:		
Mississippi Department of Public Safety		
Highway Safety Cluster		
National Priority Safety Programs	20.616	PT-2016-PT-27-81
National Priority Safety Programs	20.616	PT-2017-PT-27-81
Total Highway Safety Cluster		
Total U.S. Department of Transportation		
U.S. Department of the Treasury		
HSI Task Force	21.XXX	117NO2386
Total U.S. Department of the Treasury		
Executive Office of the President		
Pass-through program from:		
Mississippi Bureau of Narcotics - Mobile Deployment Team		
High Intensity Drug Trafficking Areas Program	95.001	G15GC003A
Total Executive Office of the President		
U.S. Department of Homeland Security		
Pass-through program from:		
Mississippi Department of Public Safety Office of Homeland Security		
Homeland Security Grant Program	97.067	16HS185
Total U.S. Department of Homeland Security		
Totals		

See accompanying notes to Schedule of Expenditures of Federal Awards.

	Accrued (Deferred) Revenue <u>9/30/2016</u>	Federal <u>Receipts</u>	Federal <u>Expenditures</u>	Accrued (Deferred) Revenue <u>9/30/2017</u>
\$	216,202	216,202	21,875	21,875
	26,288	48,931	22,643	-
	21,931	227,596	205,665	-
	713,625	4,472,648	5,048,935	1,289,912
	<u>141,656</u>	<u>1,663,672</u>	<u>1,149,970</u>	<u>(372,046)</u>
	<u>1,119,702</u>	<u>6,629,049</u>	<u>6,449,088</u>	<u>939,741</u>
	4,281	4,281	-	-
	<u>-</u>	<u>38,030</u>	<u>46,606</u>	<u>8,576</u>
	<u>4,281</u>	<u>42,311</u>	<u>46,606</u>	<u>8,576</u>
	<u>1,123,983</u>	<u>6,671,360</u>	<u>6,495,694</u>	<u>948,317</u>
	<u>2,755</u>	<u>13,292</u>	<u>11,566</u>	<u>1,029</u>
	<u>2,755</u>	<u>13,292</u>	<u>11,566</u>	<u>1,029</u>
	<u>2,119</u>	<u>4,371</u>	<u>2,252</u>	<u>-</u>
	<u>2,119</u>	<u>4,371</u>	<u>2,252</u>	<u>-</u>
	<u>-</u>	<u>12,634</u>	<u>12,634</u>	<u>-</u>
	<u>-</u>	<u>12,634</u>	<u>12,634</u>	<u>-</u>
\$	<u>1,128,857</u>	<u>6,701,657</u>	<u>6,522,146</u>	<u>949,346</u>

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the Federal grant activity of the City of Flowood, Mississippi under programs of the Federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Flowood, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Flowood, Mississippi.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for States, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Flowood, Mississippi has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C - HIGHWAY PLANNING AND CONSTRUCTION CLUSTER - STATE MATCH

During the year ended September 30, 2017, funds totaling \$344,249 were received from the State of Mississippi which represent the required State match, as follows:

Airport Parkway Commission	\$ 5,661
East Metro Corridor Commission	<u>338,588</u>
	<u>\$ 344,249</u>

NOTE D - OUTSTANDING LOANS

At September 30, 2017, there were \$1,983,831 of notes payable outstanding in the Capitalization Grants for Clean Water State Revolving Funds, CFDA No. 66.458. There are no continuing compliance requirements related to these notes payable for the year ended September 30, 2017.

CITY OF FLOWOOD, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(1) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Flowood, Mississippi.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the City of Flowood, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major Federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance."
5. The auditor's report on compliance for the major Federal award programs for the City of Flowood, Mississippi expresses an unmodified opinion on its major Federal program.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as a major program are as follows:

<u>Program</u>	<u>Federal CFDA Number</u>
Highway Planning and Construction Cluster	
Highway Planning and Construction	20.205
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Flowood was determined to not be a low-risk auditee.

(2) FINDINGS - FINANCIAL STATEMENT AUDIT

None.

(3) FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF FLOWOOD, MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

None.

STATE COMPLIANCE SECTION



CPAs & Advisors

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi as of and for the year ended September 30, 2017, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated March 28, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the City's management, Board of Alderpersons, Federal awarding agencies and pass-through entities, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
March 28, 2018