

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

CITY OF FLOWOOD, MISSISSIPPI

Financial Statements

September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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 (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-19, budgetary comparison information on pages 76-81, schedule of changes in net pension liability and related ratios on page 82, and the schedule of employer contributions on page 83 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 an opinion on the financial statements as a whole. The accompanying schedule of surety bonds for municipal officials is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2026, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

BMSS, LLC

Ridgeland, Mississippi
April 29, 2026

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025. 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 20 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 \$7,227,170 as a result of this year's operations (\$10,714,093 increase in 2024). An increase in the amount of \$5,221,007 was realized by the City's Governmental Activities as the result of current year's operations compared to \$5,072,458 in 2024.
- General revenues of the City account for \$35,460,299 or 62.2% of all revenues in 2025. General revenues accounted for \$32,610,256 or 55.4% of all revenues in 2024. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21,574,237 or 37.8% of total revenues in 2025, compared with \$26,234,199 or 44.6% of total revenues in 2024.
- The City had \$49,807,366 in expenses, an amount which increased when compared with the \$48,132,809 in expenses for 2024. \$21,574,237 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$35,460,299 were adequate to provide for these programs in 2025, while general revenues of \$32,610,256 were also adequate to provide for these programs in 2024.
- The City's General Fund realized a 5.8% increase in total revenue compared to the prior year (\$33,406,174 in 2025 compared to \$31,565,483 in 2024). Total expenditures reflected a 14.6% increase (\$27,695,262 in 2025 compared to \$24,165,648 in 2024).
- The Water and Sewer Enterprise Fund had \$12,173,290 in operating revenues and \$11,095,788 in operating expenses. Its increase in net position was \$2,063,498. Last year it reported \$12,269,795 in operating revenues and \$11,439,133 in operating expenses. The prior year increase in net position was \$5,827,196.
- In 2025, the Golf Course Enterprise Fund had \$2,052,761 in operating revenues and \$2,316,219 in operating expenses. Its decrease in net position was \$65,398. Last year it reported \$1,793,278 in operating revenues and \$2,326,823 in operating expenses. The prior year decrease in net position was \$236,867.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED: FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 20 and 22) 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.

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 2025?" 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 2025 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.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

REPORTING THE CITY AS A WHOLE - CONTINUED:

Statement of Net Position and Statement of Activities - continued:

- **Business-Type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and municipal golf course are reported here.

Fund Financial Statements

The analysis of the City's major funds begins on page 23. 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.

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.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

REPORTING THE CITY AS A WHOLE - CONTINUED:

Statement of Net Position and Statement of Activities - continued:

Fund Financial Statements - continued:

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

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 financial position and activity of the Airport Parkway Commission and the East Metro Corridor Commission are reported in the Statement of Fiduciary Net Position and Statement of Changes in 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 \$173,418,043 and \$166,910,445 as of September 30, 2025 and 2024, respectively. Table 1 provides a summary of the City’s net position.

**(Table 1)
Condensed Statement of Net Position
At September 30, 2025 and 2024**

	2025			2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets						
Current and other assets	\$ 67,553,986	\$ 14,489,147	\$ 82,043,133	\$ 61,950,784	\$ 15,588,359	\$ 77,539,143
Capital assets, net	137,672,212	49,907,647	187,579,859	134,879,946	49,178,750	184,058,696
Total assets	205,226,198	64,396,794	269,622,992	196,830,730	64,767,109	261,597,839

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 1)
Condensed Statement of Net Position - continued:
At September 30, 2025 and 2024**

	2025			2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Deferred outflows of resources						
Deferred charges on refunding	\$ 376,544	\$ 88,707	\$ 465,251	\$ 515,664	\$ 103,491	\$ 619,155
Deferred outflows - pension	5,202,563	257,310	5,459,873	4,750,438	485,820	5,236,258
Total deferred outflows of resources	5,579,107	346,017	5,925,124	5,266,102	589,311	5,855,413
Liabilities						
Current liabilities	12,429,240	2,585,602	15,014,842	9,632,033	2,737,856	12,369,889
Noncurrent liabilities	68,913,643	5,957,919	74,871,562	68,821,334	8,444,577	77,265,911
Total liabilities	81,342,883	8,543,521	89,886,404	78,453,367	11,182,433	89,635,800
Deferred inflows of resources						
Deferred inflows - lease	2,712,853	-	2,712,853	2,864,057	-	2,864,057
Deferred inflows - taxes	7,696,953	-	7,696,953	7,416,316	-	7,416,316
Deferred inflows - pension	1,747,438	86,425	1,833,863	568,495	58,139	626,634
Total deferred inflows of resources	12,157,244	86,425	12,243,669	10,848,868	58,139	10,907,007
Net position						
Net investment in capital assets	106,203,184	45,272,518	151,475,702	99,407,379	43,819,453	143,226,832
Restricted						
Capital projects	133,896	-	133,896	57,422	-	57,422
Public safety	126,270	-	126,270	296,345	-	296,345
Debt service	996,078	107,641	1,103,719	930,304	106,151	1,036,455
Recreation and tourism	10,383,296	-	10,383,296	9,682,184	-	9,682,184
Unrestricted	(537,546)	10,732,706	10,195,160	2,420,963	10,190,244	12,611,207
Total net position	\$117,305,178	\$ 56,112,865	\$173,418,043	\$112,794,597	\$ 54,115,848	\$166,910,445

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

	2025	2024
Total unrestricted net position	\$ 10,195,160	\$ 12,611,207
Less reduction in unrestricted net position from implementation of GASB No. 68 and 71	39,321,852	36,263,105
Unrestricted net position, exclusive of the net pension liability effect	\$ 49,517,012	\$ 48,874,312

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

The largest portion of the City's net position (87.3%) 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, 2025 and 2024 are summarized in Table 2.

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

	2025			2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues						
Program revenues						
Charges for services	\$ 2,174,671	\$ 14,226,051	\$ 16,400,722	\$ 1,759,385	\$ 14,063,073	\$ 15,822,458
Capital grants and contributions	470,879	554,124	1,025,003	1,902,625	4,547,418	6,450,043
Operating grants and contributions	4,148,512	-	4,148,512	3,961,698	-	3,961,698
General revenues						
Property taxes	8,543,186	-	8,543,186	8,150,085	-	8,150,085
Sales taxes	15,945,268	-	15,945,268	15,245,449	-	15,245,449
Other	10,411,641	560,204	10,971,845	8,626,949	587,773	9,214,722
Total revenues	41,694,157	15,340,379	57,034,536	39,646,191	19,198,264	58,844,455
Expenses						
General government	2,842,741	-	2,842,741	2,379,461	-	2,379,461
Legal	469,697	-	469,697	466,381	-	466,381
Public safety	17,445,578	-	17,445,578	16,562,558	-	16,562,558
Court	746,133	-	746,133	751,800	-	751,800
Public property maintenance	1,202,498	-	1,202,498	1,305,426	-	1,305,426
Sanitation	647,832	-	647,832	594,462	-	594,462
Health	87,037	-	87,037	67,308	-	67,308
Street maintenance	6,530,049	-	6,530,049	5,928,169	-	5,928,169
Recreation and tourism	3,020,961	-	3,020,961	2,997,562	-	2,997,562
Shop and maintenance	962,725	-	962,725	877,173	-	877,173
Landscape	1,299,166	-	1,299,166	1,163,163	-	1,163,163

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

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

	2025			2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Expenses - Continued						
Engineering	\$ 81,512	\$ -	\$ 81,512	\$ 115,186	\$ -	\$ 115,186
Interest and fiscal charges	947,221	-	947,221	1,055,084	-	1,055,084
Golf course	-	2,316,219	2,316,219	-	2,326,823	2,326,823
Water and sewer	-	11,207,997	11,207,997	-	11,542,253	11,542,253
Total expenses	<u>36,283,150</u>	<u>13,524,216</u>	<u>49,807,366</u>	<u>34,263,733</u>	<u>13,869,076</u>	<u>48,132,809</u>
Change in net position before transfers and other items	5,411,007	1,816,163	7,227,170	5,382,458	5,329,188	10,711,646
Transfers	(190,000)	190,000	-	(310,000)	290,000	(20,000)
Change in net position	5,221,007	2,006,163	7,227,170	5,072,458	5,619,188	10,691,646
Net position - beginning of year, as previously reported	<u>112,794,597</u>	<u>54,115,848</u>	<u>166,910,445</u>	<u>107,722,139</u>	<u>48,496,660</u>	<u>156,218,799</u>
Prior period adjustment	<u>(710,426)</u>	<u>(9,146)</u>	<u>(719,572)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - beginning of year, as restated	<u>112,084,171</u>	<u>54,106,702</u>	<u>166,190,873</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - end of year	<u>\$117,305,178</u>	<u>\$ 56,112,865</u>	<u>\$173,418,043</u>	<u>\$112,794,597</u>	<u>\$ 54,115,848</u>	<u>\$166,910,445</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 \$15,945,268 or 38.2% of gross revenue; revenues from charges for services accounted for \$2,174,671 or 5.2% of gross revenues; and property taxes accounted for \$8,543,186 or 20.5% of revenues. Operating and capital grants amounted to \$4,619,391 or 11.1% of gross revenue.

The City of Flowood has been able to increase its sales tax collections in the last nineteen years by \$6,254,133 from gross collections in 2006 of \$9,691,135 to gross collections in 2025 of \$15,945,268. The majority of this increase is due to an aggressive economic development program and development of a booming retail and commercial district of the City, this being the Lakeland Drive (State Hwy 25) Development Corridor. Although much of this development has been accomplished through the use of property tax incentives (such as tax increment financing programs), the loss in property taxes collected has been more than offset by the increase in the sales tax collections.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities - continued:

Major expense activities include police and fire safety expenses accounting for 48.1% of the total program expenses and street and public property maintenance accounting for 21.3%. The City of Flowood is committed to providing the best services possible for its citizens.

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

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$45,506,916, an increase of \$3,278,191, of which \$31,144,469 or 68.4% of the fund balance is classified as unassigned, which represents the residual classification of fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes. The remaining fund balance of \$14,362,447 or 31.6% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except for the purposes to which it is restricted, committed, or assigned.

The increase in fund balance in the General Fund was \$2,604,906. The increase in the fund balance of the General Fund is primarily attributed to an increase in revenues. The Recreation and Tourism Special Tax Fund reported an increase in fund balance in the amount of \$701,112. The increase in the fund balance of the Recreation and Tourism Special Tax Fund is also attributed to an increase in revenues. The increase in the fund balance of the Debt Service Fund was \$65,774. The increase in fund balance in the City-Wide Capital Projects Fund was \$76,474. The Other Nonmajor Funds reported a decrease in fund balance in the amount of \$170,075.

Business-Type Activities

Operating revenues of the City's business-type activities were \$14,226,051 and \$14,063,073 for the fiscal years ended September 30, 2025 and 2024, respectively. Operating expenses for the City's business-type activities were \$13,412,007 for 2025 and \$13,765,956 for 2024, resulting in operating income of \$814,044 in 2025 and operating income of \$297,117 in 2024. Net non-operating revenue (expenses) of \$439,932 in 2025 and \$455,794 in 2024 and capital asset contributions and transfers of \$744,124 for 2025 and \$4,837,418 for 2024 resulted in an increase in net position of \$1,998,100 in 2025 and an increase in net position of \$5,590,329 in 2024. Key operating results are detailed below:

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED: FOR THE YEAR ENDED SEPTEMBER 30, 2025

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Business-Type Activities - continued:

- The City's Water and Sewer Enterprise Fund recorded charges for services of \$11,845,290 which reflects a 0.8% decrease from the prior year. The most significant expenses of the Water and Sewer Enterprise Fund were \$806,946 for supplies, \$8,518,376 for operating cost including sewage treatment, and \$2,375,032 in depreciation expense.
- The Golf Course Enterprise Fund recorded charges for services of \$2,052,761 in 2025, which reflects an increase of 14.5%. Operating expenses, excluding depreciation, decreased 0.5% to \$2,180,968 in 2025 compared with \$2,191,572 in 2024.

The increase in net position in the Water and Sewer Enterprise Fund was \$2,063,498. The increase in the net position of Water and Sewer Enterprise Fund compared to the increase in net position of \$5,827,196 in 2024 is largely attributed the increase in capital contributions. The Golf Course Enterprise Fund reported a decrease in net position in the amount of \$65,398, compared to a decrease in net position of \$236,867 in 2024. The better operating results is primarily due to increased revenue in golf course operations.

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 2025, the City of Flowood amended its General Fund budget once. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Alderpersons for review before being amended by the Board of Alderpersons at a regular monthly Board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the General Fund supporting many of our major activities, such as our police and fire departments as well as general government activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, final budgeted revenues for fiscal year 2025 were \$31,870,000 and actual revenue collections were \$33,186,104. General Fund budgeted expenditures were \$28,790,000 compared to actual operating expenditures of \$27,238,825.

Original Budget Compared to Final Budget

The original General Fund revenue budget of \$30,402,000 was increased by amendments totaling \$1,468,000 to a final revenue budget of \$31,870,000. Major components of the amendments included:

- Revenues for intergovernmental revenues increased \$855,000 primarily due to an unexpected increase in sales tax revenue.

The original General Fund expenditure budget of \$29,362,500 was decreased by various amendments totaling \$22,500 to a final expenditure budget of \$29,340,000.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

BUDGETARY HIGHLIGHTS - CONTINUED:

Final Budget Compared to Actual Results

Actual revenues for the General Fund for the year were \$1,316,104 more than budgeted. Intergovernmental revenue exceeded the budget by \$291,468 along with current year ad valorem taxes exceeding the budget by \$164,176 and charges for services and fines and forfeits exceeding the final budget by \$15,061 and \$44,742, respectively.

Actual expenditures for the year were \$2,101,175 less than budgeted. In general, the City has been proactive in limiting the amount of operating costs to the minimum necessary to provide essential services. The most significant differences in the final budget and actual occurred in the following areas:

- Street maintenance services and charges were \$417,142 less than budgeted as a result of actual other services and charges being less than estimated.
- Public safety services were \$685,521 less than budgeted as a result of actual personal services due to budgeted positions being open during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2025, the City had approximately \$187.6 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).

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

**Table 3
Capital Assets at September 30, 2025 and 2024
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 37,384,859	\$ 37,384,859	\$ 772,808	\$ 772,808	\$ 38,157,667	\$ 38,157,667
Improvements other than buildings	30,938,630	24,281,923	-	-	30,938,630	24,281,923
Buildings	26,693,440	26,984,685	-	-	26,693,440	26,984,685
Machinery and equipment	4,611,342	3,635,775	253,752	301,346	4,865,094	3,937,121
Infrastructure	36,715,748	38,138,677	-	-	36,715,748	38,138,677
Right-to-use assets	484,603	-	-	-	484,603	-
Construction in progress	843,590	4,454,027	597,691	1,468,762	1,441,281	5,922,789
Water and sewer system	-	-	44,727,800	42,944,986	44,727,800	42,944,986
Golf course	-	-	3,555,597	3,690,848	3,555,597	3,690,848
Total	\$137,672,212	\$134,879,946	\$49,907,648	\$49,178,750	\$187,579,860	\$184,058,696

This year's major additions included:

Governmental Activities

Various machinery and equipment	\$ 1,789,408
Flowood Library Interior Upgrades	309,562
Dexter Drive Cell Tower	234,000
Adams Street Park Improvements	224,120
Market Place Extension	964,234
Liberty Park Pickleball Courts	2,752,340
Winners Circle Park Improvements	323,925
Leased Property	587,642

Business-Type Activities

Highway 25 Utility Relocate	\$ 542,196
Castlewoods Tank Improvement	403,757
City-Wide Water Meter Change to Cellular	1,525,856
Castlewoods Sewer Basin Sewer Pipe Reline	232,612

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt

At September 30, 2025 and 2024, the City of Flowood had \$37,620,664 and \$41,525,680, 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, 2025 and 2024**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 30,477,196	\$ 34,527,697	\$ 3,187,804	\$ 3,708,303	\$ 33,665,000	\$ 38,236,000
General obligation premium	308,462	378,142	62,695	74,085	371,157	452,227
Limited obligation bonds	-	29,000	-	-	-	29,000
Notes	-	-	1,384,630	1,576,909	1,384,630	1,576,909
Capital leases payable	683,370	537,728	-	-	683,370	537,728
Compensated absences	1,466,603	1,386,860	49,904	26,528	1,516,507	693,816
Total	<u>\$ 32,935,631</u>	<u>\$ 36,859,427</u>	<u>\$ 4,685,033</u>	<u>\$ 5,385,825</u>	<u>\$ 37,620,664</u>	<u>\$ 41,525,680</u>

There was no new debt incurred by the City during 2025. During the year, the City made principal payments totaling \$5,315,349.

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

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED: FOR THE YEAR ENDED SEPTEMBER 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

Annually, the City's engineer inspects roadways and suggests the worst for repair. Over the past 17 years, the City has expended an average of \$200,000 to \$1,000,000 annually on various roadway maintenance resurfacing projects. 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 2025 to aid in residential development within the area. This includes a new well and tank completed and put into service during 2020. The last 21 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, a new Public Services building, a new Conference Center, and a newly renovated top-quality Municipal Golf Course.

The City has also funded the purchase of approximately \$12 million of public safety and public property vehicles and equipment over the past 14 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, 2017, and 2022. New network computer systems for the City's police department, municipal court system, and main administrative operations were also purchased throughout this time period.

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

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

During fiscal year 2017, the City purchased land adjacent to the City owned Refuge Golf Course along Airport Road and the Medical Parkway and began site work for a resort style 200 room hotel and conference center. The development was completed in April 2021 and will spur additional economic development along Airport Road and the Medical Parkway.

During fiscal year 2018, a ground breaking was held for the Water Pointe development along the East Metro Parkway just south of Dogwood Festival Market. The development consists of approximately 230 acres, 560 single family residences, and an estimated 800,000 square feet of commercial space in a town center atmosphere. Currently, construction has begun on the first phase of single-family residences, multi-family residences, and the completion of a commercial building for a bank headquarters and office space.

With the growth that has been realized in the past several years and with the expectation that the growth will continue in the future, the City of Flowood must maintain and create better access routes into and out of the City and provide additional public safety facilities and equipment. The City has committed its resources for new and expanded roadways, beautification enhancements, and recreational facilities throughout the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash and cash equivalents	\$ 34,567,381	\$ 7,110,718	\$ 41,678,099
Investments	14,031,481	5,632,420	19,663,901
Receivables, net of allowances for uncollectibles			
Accounts	2,856,616	1,124,901	3,981,517
Grants	34,945	-	34,945
Taxes	11,460,320	-	11,460,320
Special assessments receivable	1,431,772	-	1,431,772
Due from other governments	368,681	-	368,681
Internal balances	(57,002)	57,002	-
Lease receivable	2,083,659	-	2,083,659
Inventories	-	78,867	78,867
Prepays	255,462	377,598	633,060
Restricted assets			
Cash and cash equivalents	520,671	107,641	628,312
Capital assets			
Non-depreciable capital assets	38,228,449	1,370,499	39,598,948
Depreciable capital assets, net	99,443,763	48,537,148	147,980,911
Total assets	<u>205,226,198</u>	<u>64,396,794</u>	<u>269,622,992</u>
Deferred Outflows of Resources			
Deferred charges on refunding	376,544	88,707	465,251
Deferred outflows related to pension	5,202,563	257,310	5,459,873
Total deferred outflows of resources	<u>5,579,107</u>	<u>346,017</u>	<u>5,925,124</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION – CONTINUED:
SEPTEMBER 30, 2025**

	Governmental	Business-Type	Total
	Activities	Activities	
Liabilities			
Accounts payable	\$ 1,057,145	\$ 1,119,542	\$ 2,176,687
Accrued liabilities	355,990	3,383	359,373
Accrued interest payable	336,618	36,245	372,863
Claims payable	253,033	-	253,033
Customer deposits	-	675,462	675,462
Funds held for others	50,360	-	50,360
Payable to other governments	832,870	-	832,870
Unearned revenue	4,600,783	-	4,600,783
Noncurrent liabilities			
Due within one year			
Compensated absences	571,219	16,653	587,872
Loans and leases payable	281,241	191,228	472,469
Bonds payable	4,089,981	543,089	4,633,070
Due in more than one year			
Compensated absences	895,384	33,251	928,635
Loans and leases payable	402,129	1,193,402	1,595,531
Bonds payable	26,695,677	2,707,410	29,403,087
Net pension liability	40,920,453	2,023,856	42,944,309
Total liabilities	81,342,883	8,543,521	89,886,404
Deferred Inflows of Resources			
Deferred inflows related to lease	2,712,853	-	2,712,853
Deferred property tax revenue	7,696,953	-	7,696,953
Deferred inflows related to pension	1,747,438	86,425	1,833,863
Total deferred inflows of resources	12,157,244	86,425	12,243,669
Net Position			
Net investment in capital assets	106,203,184	45,272,518	151,475,702
Restricted for			
Capital projects	133,896	-	133,896
Public safety	126,270	-	126,270
Debt service	996,078	107,641	1,103,719
Recreation and tourism	10,383,296	-	10,383,296
Unrestricted	(537,546)	10,732,706	10,195,160
Total net position	\$ 117,305,178	\$ 56,112,865	\$ 173,418,043

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental activities							
General government	\$ 2,842,741	\$ 686,476	\$ -	\$ -	\$ (2,156,265)	\$ -	\$ (2,156,265)
Legal	469,697	-	-	-	(469,697)	-	(469,697)
Public safety	17,445,578	1,233,134	229,516	-	(15,982,928)	-	(15,982,928)
Court	746,133	-	-	-	(746,133)	-	(746,133)
Public property maintenance	1,202,498	-	-	-	(1,202,498)	-	(1,202,498)
Sanitation	647,832	-	-	-	(647,832)	-	(647,832)
Health	87,037	-	-	-	(87,037)	-	(87,037)
Street maintenance	6,530,049	-	3,901,352	470,879	(2,157,818)	-	(2,157,818)
Recreation and tourism	3,020,961	255,061	17,644	-	(2,748,256)	-	(2,748,256)
Shop and maintenance	962,725	-	-	-	(962,725)	-	(962,725)
Landscape	1,299,166	-	-	-	(1,299,166)	-	(1,299,166)
Engineering	81,512	-	-	-	(81,512)	-	(81,512)
Interest and fiscal charges on long-term debt	947,221	-	-	-	(947,221)	-	(947,221)
Total governmental activities	36,283,150	2,174,671	4,148,512	470,879	(29,489,088)	-	(29,489,088)
Business-type activities							
Golf course	2,316,219	2,052,761	-	-	-	(263,458)	(263,458)
Water and sewer	11,207,997	12,173,290	-	554,124	-	1,519,417	1,519,417
Total business-type activities	13,524,216	14,226,051	-	554,124	-	1,255,959	1,255,959
Total government	\$ 49,807,366	\$ 16,400,722	\$ 4,148,512	\$ 1,025,003	(29,489,088)	1,255,959	(28,233,129)
General revenues							
Taxes							
Ad valorem taxes					8,499,630	-	8,499,630
Special assessments					43,556	-	43,556
Sales tax					15,945,268	-	15,945,268
Recreation and tourism tax					6,176,135	-	6,176,135
Utility in lieu of tax					472,188	-	472,188
Franchise fees					837,821	-	837,821
General intergovernmental revenue					414,904	-	414,904
Interest and investment earnings					1,976,365	565,737	2,542,102
Other					528,676	-	528,676
Gain (loss) on disposal of capital assets					5,552	(5,533)	19
Transfers					(190,000)	190,000	-
Total general revenues and transfers					34,710,095	750,204	35,460,299
Change in net position					5,221,007	2,006,163	7,227,170
Net position at beginning of year, as previously reported					112,794,597	54,115,848	166,910,445
Prior period adjustment					(710,426)	(9,146)	(719,572)
Net position at beginning of year, as restated					112,084,171	54,106,702	166,190,873
Net position at end of year	\$	\$	\$	\$	117,305,178	56,112,865	173,418,043

CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	General Fund	Recreation and Tourism Special Tax	City-Wide Debt Service	City-Wide Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 17,942,731	\$ 9,279,449	\$ 912,808	\$ 4,740,342	\$ 228,052	\$ 33,103,382
Investments	14,031,481	-	-	-	-	14,031,481
Receivables, net of allowance for uncollectibles						
Accounts	1,655,784	310,876	-	-	-	1,966,660
Grants	12,306	-	-	-	22,639	34,945
Taxes	10,509,644	950,650	26	-	-	11,460,320
Special assessments receivable	1,103,730	-	328,042	-	-	1,431,772
Due from other governments	-	-	368,681	-	-	368,681
Due from other funds	849,661	-	107,015	70,626	-	1,027,302
Lease receivable	2,083,659	-	-	-	-	2,083,659
Prepaid expenses	229,896	25,566	-	-	-	255,462
Restricted cash	-	-	520,671	-	-	520,671
Total assets	\$ 48,418,892	\$ 10,566,541	\$ 2,237,243	\$ 4,810,968	\$ 250,691	\$ 66,284,335

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET - CONTINUED:
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	General Fund	Recreation and Tourism Special Tax	City-Wide Debt Service	City-Wide Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 912,883	\$ 102,838	\$ -	\$ 41,424	\$ -	\$ 1,057,145
Accrued liabilities	355,990	-	-	-	-	355,990
Funds held for others	-	-	50,358	-	-	50,358
Unearned revenue	63,502	-	-	4,435,498	101,782	4,600,782
Due to other funds	162,495	80,407	509,772	200,150	22,639	975,463
Total liabilities	1,494,870	183,245	560,130	4,677,072	124,421	7,039,738
Deferred inflows of resources						
Unavailable revenue - property taxes	7,696,953	-	-	-	-	7,696,953
Unavailable revenue - special assessments	1,093,921	-	312,354	-	-	1,406,275
Unavailable revenue - court fines	1,552,919	-	-	-	-	1,552,919
Unavailable revenue - Rankin County	-	-	368,681	-	-	368,681
Lease related	2,712,853	-	-	-	-	2,712,853
Total deferred inflows of resources	13,056,646	-	681,035	-	-	13,737,681
Fund balances						
Nonspendable						
Prepays	229,896	-	-	-	-	229,896
Restricted for						
Capital projects	-	-	-	133,896	-	133,896
Public safety	-	-	-	-	126,270	126,270
Debt service	-	-	996,078	-	-	996,078
Recreation and tourism	-	10,383,296	-	-	-	10,383,296
Assigned to						
Fiscal year 2026 budget deficit	2,493,010	-	-	-	-	2,493,010
Unassigned	31,144,470	-	-	-	-	31,144,470
Total fund balances	33,867,376	10,383,296	996,078	133,896	126,270	45,506,916
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,418,892	\$ 10,566,541	\$ 2,237,243	\$ 4,810,968	\$ 250,691	\$ 66,284,335

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

Total fund balances - governmental funds		\$ 45,506,916
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	239,455,580	
Less accumulated depreciation	<u>(101,783,368)</u>	137,672,212
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.		
		1,552,919
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.		
		1,774,956
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.		
		1,159,208
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		(40,920,453)
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	5,202,563	
Deferred inflows of resources related to pension	<u>(1,747,438)</u>	3,455,125
Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These long-term liabilities consist of:		
Bond obligations	(30,785,658)	
Loan and lease obligations	(683,370)	
Unamortized deferred charges on refunding bonds	376,544	
Accrued interest payable	(336,618)	
Compensated absences	<u>(1,466,603)</u>	<u>(32,895,705)</u>
Net position of governmental activities		<u>\$ 117,305,178</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
SEPTEMBER 30, 2025

	General Fund	Recreation and Tourism Special Tax	City-Wide Debt Service	City-Wide Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes						
Ad valorem	\$ 8,481,455	\$ -	\$ 18,107	\$ -	\$ -	\$ 8,499,562
Special assessments	178,433	-	79,867	-	-	258,300
Franchise fees	837,821	-	-	-	-	837,821
Licenses and permits	686,476	-	-	-	-	686,476
Intergovernmental	20,489,604	6,193,779	738,878	470,879	198,502	28,091,642
Charges for services	255,061	-	-	-	-	255,061
Fines and forfeitures	812,110	-	-	-	48,000	860,110
Lease revenue	361,618	-	-	-	-	361,618
Interest and investment earnings	1,300,588	327,217	36,936	243,178	12,238	1,920,157
Miscellaneous	3,008	164,050	-	-	-	167,058
Total revenues	33,406,174	6,685,046	873,788	714,057	258,740	41,937,805
Expenditures						
Current						
General government	1,930,690	-	-	-	-	1,930,690
Legal	368,374	-	-	-	-	368,374
Public safety	13,474,596	-	-	-	223,479	13,698,075
Court	633,525	-	-	-	-	633,525
Public property maintenance	935,951	-	-	9,950	-	945,901
Sanitation	647,832	-	-	-	-	647,832
Health	75,421	-	-	-	-	75,421
Street and maintenance	4,143,879	-	-	-	-	4,143,879
Recreation and tourism	1,548,019	523,390	-	-	-	2,071,409
Shop and maintenance	871,318	-	-	-	-	871,318
Landscape	1,094,880	-	-	-	-	1,094,880
Engineering	89,589	-	-	-	-	89,589

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED:
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	General Fund	Recreation and Tourism Special Tax	City-Wide Debt Service	City-Wide Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Expenditures - continued						
Debt service						
Principal	\$ 289,660	\$ -	\$ 4,079,501	\$ -	\$ 152,340	\$ 4,521,501
Interest and other fiscal charges	16,454	-	886,025	-	-	902,479
Capital outlay	1,575,074	1,344,702	-	4,157,542	52,996	7,130,314
Total expenditures	<u>27,695,262</u>	<u>1,868,092</u>	<u>4,965,526</u>	<u>4,167,492</u>	<u>428,815</u>	<u>39,125,187</u>
Excess (deficiency) of revenues over expenditures	<u>5,710,912</u>	<u>4,816,954</u>	<u>(4,091,738)</u>	<u>(3,453,435)</u>	<u>(170,075)</u>	<u>2,812,618</u>
Other financing sources (uses)						
Proceeds from capital lease	587,642	-	-	-	-	587,642
Transfers in	-	-	4,157,512	3,529,908	-	7,687,420
Transfers out	(3,761,578)	(4,115,842)	-	-	-	(7,877,420)
Sale of capital assets	67,931	-	-	-	-	67,931
Total other financing sources (uses)	<u>(3,106,005)</u>	<u>(4,115,842)</u>	<u>4,157,512</u>	<u>3,529,908</u>	<u>-</u>	<u>465,573</u>
Excess (deficiency) of revenues and other uses	2,604,907	701,112	65,774	76,473	(170,075)	3,278,191
Fund balances at beginning of year	<u>31,262,469</u>	<u>9,682,184</u>	<u>930,304</u>	<u>57,423</u>	<u>296,345</u>	<u>42,228,725</u>
Fund balances at end of year	<u>\$ 33,867,376</u>	<u>\$ 10,383,296</u>	<u>\$ 996,078</u>	<u>\$ 133,896</u>	<u>\$ 126,270</u>	<u>\$ 45,506,916</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds **\$ 3,278,191**

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 7,130,312	
Less current year depreciation expense	<u>(4,275,667)</u>	2,854,645

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(62,379)
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Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years.	(305,479)
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The amortization of bond premiums and discounts is reported on the fund financial statements when debt is issued but amortized in the Statement of Activities.	69,680
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Proceeds from the issuance of debt 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: Subscription-based IT arrangement	(587,642)
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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.	4,521,501
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The Statement of Activities reports pension expense and other activity related to the net pension liability: Changes in pension liability and related deferrals	(4,566,716)
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The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED:
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

An internal service fund is used by management to charge the cost of health and dental insurance to individual funds. The net revenue (expense) is reported with governmental activities.			\$ 213,369
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		24,699	
Amortization of deferred charges on refunding bonds		(139,120)	
Change in compensated absences		(79,742)	(194,163)
Change in net position of governmental activities			<u><u>\$ 5,221,007</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025**

	Business-Type Activities Enterprise Funds		Totals	Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund		
Assets				
Current assets				
Cash and cash equivalents	\$ 6,797,826	\$ 312,892	\$ 7,110,718	\$ 1,463,999
Investments	5,632,420	-	5,632,420	-
Receivables (net of allowance for uncollectibles, where applicable)				
Accounts	1,124,901	-	1,124,901	57,087
Inventories	-	78,867	78,867	-
Prepaid expenses	377,598	-	377,598	-
Due from other funds	40,763	-	40,763	-
Total current assets	13,973,508	391,759	14,365,267	1,521,086
Restricted assets				
Principal reserve escrow account	107,641	-	107,641	-
Total restricted assets	107,641	-	107,641	-
Property, plant and equipment				
Land	772,808	-	772,808	-
Machinery and equipment	1,157,663	-	1,157,663	-
Water distribution system	83,372,944	-	83,372,944	-
Golf course facilities	-	7,712,655	7,712,655	-
	85,303,415	7,712,655	93,016,070	-
Less: accumulated depreciation	(39,549,056)	(4,157,058)	(43,706,114)	-
	45,754,359	3,555,597	49,309,956	-
Construction in progress	597,691	-	597,691	-
Net property, plant and equipment	46,352,050	3,555,597	49,907,647	-
Total assets	60,433,199	3,947,356	64,380,555	1,521,086
Deferred Outflows of Resources				
Deferred charge on refunding	88,707	-	88,707	-
Deferred outflows related to pension	257,310	-	257,310	-
Total deferred outflows of resources	346,017	-	346,017	-

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET POSITION - CONTINUED:
PROPRIETARY FUNDS
SEPTEMBER 30, 2025**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	
Liabilities				
Current liabilities				
Accounts payable	\$ 1,096,730	\$ 22,812	\$ 1,119,542	\$ 253,030
Accrued interest payable	36,245	-	36,245	-
Accrued liabilities	3,383	-	3,383	-
Customer deposits	675,462	-	675,462	-
Due to other funds	90,802	1,800	92,602	-
Compensated absences - current	16,653	-	16,653	-
Notes payable - current	191,228	-	191,228	-
Bonds payable - current	543,089	-	543,089	-
Total current liabilities	2,653,592	24,612	2,678,204	253,030
Long-term liabilities				
Compensated absences - net of current portion	33,251	-	33,251	-
Notes payable - net of current portion	1,193,402	-	1,193,402	-
Bonds payable - net of current portion	2,707,410	-	2,707,410	-
Net pension liability	2,023,856	-	2,023,856	-
Total long-term liabilities	5,957,919	-	5,957,919	-
Total liabilities	8,611,511	24,612	8,636,123	253,030
Deferred Inflows of Resources				
Deferred inflows related to pension	86,425	-	86,425	-
Total deferred inflows of resources	86,425	-	86,425	-
Net Position				
Net investment in capital assets	41,716,921	3,555,597	45,272,518	-
Restricted for debt service	107,641	-	107,641	-
Unrestricted	10,256,718	367,147	10,623,865	1,268,056
Total net position	\$ 52,081,280	\$ 3,922,744	\$ 56,004,024	\$ 1,268,056
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>108,841</u>	
Net assets of business-type activities			<u><u>\$ 56,112,865</u></u>	

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025**

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	
Operating revenues				
Water sales	\$ 3,039,967	\$ -	\$ 3,039,967	\$ -
Sewer charges	8,805,323	-	8,805,323	-
Tap fees and connection fees	238,985	-	238,985	-
Late fees	89,015	-	89,015	-
Health and dental contributions	-	-	-	2,943,640
Golf course revenue	-	2,052,761	2,052,761	-
Total operating revenues	12,173,290	2,052,761	14,226,051	2,943,640
Operating expenses				
Personal services	(604,565)	-	(604,565)	-
Supplies	806,946	-	806,946	-
Other service charges	8,518,376	-	8,518,376	-
Depreciation	2,375,031	135,251	2,510,282	-
Claims expense	-	-	-	2,778,484
Golf course expenses	-	2,180,968	2,180,968	-
Total operating expenses	11,095,788	2,316,219	13,412,007	2,778,484
Operating income (loss)	1,077,502	(263,458)	814,044	165,156
Non-operating revenues (expenses)				
Interest income	544,743	8,060	552,803	56,276
Realized gain	2,973	-	2,973	-
Unrealized gain	9,961	-	9,961	-
Bond interest and fiscal charges	(120,272)	-	(120,272)	-
Loss on disposal of capital assets	(5,533)	-	(5,533)	-
Total non-operating revenues (expenses)	431,872	8,060	439,932	56,276
Income (loss) before transfers and capital contributions	1,509,374	(255,398)	1,253,976	221,432
Capital contributions	554,124	-	554,124	-
Transfers in	-	190,000	190,000	-
Change in net position	2,063,498	(65,398)	1,998,100	221,432
Net position at beginning of year	50,026,928	3,988,142	54,015,070	1,046,624
Prior period adjustment	(9,146)	-	(9,146)	-
Net position at beginning of year, as restated	50,017,782	3,988,142	54,005,924	1,046,624
Net position at end of year	\$ 52,081,280	\$ 3,922,744	\$ 56,004,024	\$ 1,268,056
Net change in net position - total proprietary funds			\$ 1,998,100	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			<u>8,063</u>	
Net change in net position of business-type activities			<u>\$ 2,006,163</u>	

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2025**

	Business-Type Activities			
	Enterprise Funds			
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	Internal Service Fund
Operating Activities				
Cash received from customers	\$ 12,139,848	\$ 2,052,761	\$ 14,192,609	\$ -
Health and dental contributions received	-	-	-	2,922,252
Cash paid to suppliers and employees	(9,895,219)	(2,276,599)	(12,171,818)	(2,652,589)
Net cash provided by (used in) operating activities	<u>2,244,629</u>	<u>(223,838)</u>	<u>2,020,791</u>	<u>269,663</u>
Non-capital Financing Activities				
Transfers in	-	190,000	190,000	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Capital and Related Financing Activities				
Principal paid on bonds and notes	(712,778)	-	(712,778)	-
Interest paid on bonds and notes	(122,609)	-	(122,609)	-
Capital grant revenue	1,228,322	-	1,228,322	-
Acquisition of capital assets	(3,244,713)	-	(3,244,713)	-
Net cash used in capital and related financing activities	<u>(2,851,778)</u>	<u>-</u>	<u>(2,851,778)</u>	<u>-</u>
Investing Activities				
Purchase of investments	(4,971,028)	-	(4,971,028)	-
Sales/maturities of investments	4,660,204	-	4,660,204	-
Earnings on invested proceeds	544,743	8,060	552,803	56,276
Net cash provided by investing activities	<u>233,919</u>	<u>8,060</u>	<u>241,979</u>	<u>56,276</u>
Net increase (decrease) in cash and cash equivalents	(373,230)	(25,778)	(399,008)	325,939
Cash and cash equivalents at beginning of year (including \$106,151 in water and sewer fund)	<u>7,278,697</u>	<u>338,670</u>	<u>7,617,367</u>	<u>1,138,060</u>
Cash and cash equivalents at end of year (including \$107,641 in water and sewer fund)	<u>\$ 6,905,467</u>	<u>\$ 312,892</u>	<u>\$ 7,218,359</u>	<u>\$ 1,463,999</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUNDS
SEPTEMBER 30, 2025**

	Business-Type Activities			
	Enterprise Funds			
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 1,077,502	\$ (263,458)	\$ 814,044	\$ 165,156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	2,375,031	135,251	2,510,282	-
(Increase) decrease in				
Accounts receivable	(55,954)	-	(55,954)	(21,388)
Due from other funds	733,419	3,004	736,423	(8,789)
Inventories	-	(11,097)	(11,097)	-
Prepaid expenses	(311,545)	-	(311,545)	-
Deferred outflows related to pension	228,510	-	228,510	-
Increase (decrease) in				
Accounts payable	(109,664)	(87,538)	(197,202)	134,684
Accrued compensated absences	23,377	-	23,377	-
Accrued liabilities	1,470	-	1,470	-
Customer deposits	22,512	-	22,512	-
Net pension liability	(1,768,315)	-	(1,768,315)	-
Deferred inflows related to pension	28,286	-	28,286	-
Total adjustments	1,167,127	39,620	1,206,747	104,507
Net cash provided by (used in) operating activities	\$ 2,244,629	\$ (223,838)	\$ 2,020,791	\$ 269,663
Noncash Capital and Related Financing Activities				
Amortization of deferred charges	\$ 14,784	\$ -	\$ 14,784	\$ -
Amortization of bond premium included in interest expense	\$ (11,390)	\$ -	\$ (11,390)	\$ -

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
SEPTEMBER 30, 2025

Assets

Cash and cash equivalents	\$ 2,705
Total assets	<u>2,705</u>

Net Position

Restricted for other governments	<u>\$ 2,705</u>
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The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
SEPTEMBER 30, 2025**

Additions

Interest	\$ 178
Total additions	<u>178</u>
Net increase in fiduciary net position	178
Net position - beginning	<u>2,527</u>
Net position - ending	<u>\$ 2,705</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 and tourism, 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. 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 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 and tourism, shop and maintenance, landscape, and engineering. The business-type activities of the City include operation of the municipal golf course and water and sewer systems.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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.

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

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

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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 of 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 18-hole golf course located in the City.

Additionally, the City reports the following fund types:

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. 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 include 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.

C. 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 4, is pledged by the various financial institutions to secure City funds.

D. Investments

The City is allowed by state statute to invest excess funds in any bonds or other direct obligations of the United States of America, the State of Mississippi, any county or municipality of the state, or in interest-bearing time deposits with any financial institution approved for the deposit of state funds. Investments are reported at fair value. Investment earnings are reported in the fund reporting the investment and consist of interest and dividends received and the change in fair value of the investments.

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 5.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets 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.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. Capital Assets

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

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

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

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

Assets	Useful Life	Salvage Value
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%

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 \$1,516,507 has been made in the Statement of Net Position for vacation time at September 30, 2025. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, liabilities for unpaid sick leave and paid time off are included in compensated absences in the accompanying financial statements.

L. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders, and contracts. All encumbrances lapse at year end; accordingly, no encumbrances were outstanding at September 30, 2025.

M. 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.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

M. Net Position and Fund Balances - continued:

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.

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.

N. 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. 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.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. 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.

P. 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.

Q. Long-Term Liabilities

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

R. 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.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

In fiscal year 2025, the City adopted GASB Statement No. 101, Compensated Absences. GASB Statement No. 101 updates the accounting and financial reporting standards for compensated absences in state and local governments to provide a more consistent and unified model for account for all types of compensated absences. It requires that liabilities for compensated absences be recognized for: 1) leave that has not been used, and 2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if: (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The beginning balance presented in the financial statements for net position has been restated in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections. The resulting restatement of beginning net position and compensated absences liability at September 31, 2025 is computed as follows:

	Net Position		Compensated Absences Liability	
	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities
	Beginning balance, as previously reported at October 1, 2024	\$ 112,794,597	\$ 54,115,848	\$ 676,434
Adjustment for GASB 101 adoption	(710,426)	(9,146)	710,426	9,146
Beginning balance, as restated at October 1, 2024	<u>\$ 112,084,171</u>	<u>\$ 54,106,702</u>	<u>\$ 1,386,860</u>	<u>\$ 26,528</u>

NOTE 3 - PROPERTY TAX

Property taxes for fiscal year 2025 were levied in August 2024 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 2026 property taxes levied in August 2025. The City has recorded deferred inflows for the estimated fiscal year 2026 real and personal property taxes as of September 30, 2025.

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, 2025, were approximately 99% of the total tax levy.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 3 - PROPERTY TAX - CONTINUED:

The tax rate levied by the City for 2025 was set at 20.0 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 1.290
General Fund - Debt Service	0.565
General Fund - Sanitation	0.145
	<u>\$ 2.000</u>

NOTE 4 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2025:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities				
General Fund	\$ 17,942,731	\$ 14,031,481	\$ -	\$ 31,974,212
Recreation and Tourism Special Tax Fund	9,279,449	-	-	9,279,449
City-Wide Debt Service	912,808	-	520,671	1,433,479
City-Wide Capital Projects	4,740,342	-	-	4,740,342
Nonmajor governmental funds	228,052	-	-	228,052
Internal Service Fund	1,463,999	-	-	1,463,999
Total governmental activities	<u>34,567,381</u>	<u>14,031,481</u>	<u>520,671</u>	<u>49,119,533</u>
Business-type activities				
Water and Sewer Fund	6,797,826	5,632,420	107,641	12,537,887
Golf Course Fund	312,892	-	-	312,892
Total business-type activities	<u>7,110,718</u>	<u>5,632,420</u>	<u>107,641</u>	<u>12,850,779</u>
Government-wide total	41,678,099	19,663,901	628,312	61,970,312
Fiduciary activities - custodial funds	2,705	-	-	2,705
Total cash and investments	<u>\$ 41,680,804</u>	<u>\$ 19,663,901</u>	<u>\$ 628,312</u>	<u>\$ 61,973,017</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 4 - CASH AND INVESTMENTS - CONTINUED:

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, 2025, are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits	\$ 41,538,913	\$ 42,325,069

The difference of \$786,156 was principally due to outstanding checks. Of the bank balance, \$352,217 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, 2025, \$41,972,852 of the City's bank balance of \$42,325,069 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds	
Guaranty Pool	<u>\$ 41,972,852</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 4 - CASH AND INVESTMENTS - CONTINUED:

Investments

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time deposits with any financial institution approved for the deposit of state funds. Investments are reported at fair value.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. State law has not addressed interest rate risk. The City uses the specific identification method to disclose interest rate risk. Under this method, the notes provide an actual list of the maturities for different individual investments.

Concentration of Credit Risk. Disclosures of investments held by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2025, the City had the following investments:

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
U.S. Treasury notes and bills	\$ 8,081,408	AAA	41.10%	0-4.63%
Governmental National Mortgage Association (GNMA)	7,240,961	AA+	36.82%	2.5-6%
State of Mississippi bonds	870,530	AA	4.43%	0.97-4.93%
U.S. International Development Finance Corporation	1,141,437	AAA	5.80%	0.00%
SBA asset-backed securities	207,765	Not rated	1.06%	4.85%
Small Business Administration loans	2,121,800	Not rated	10.79%	2-6.22%
Total investments	<u>\$ 19,663,901</u>		<u>100.00%</u>	

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 4 - CASH AND INVESTMENTS - CONTINUED:

Investments - continued:

Investment Maturities in Years

Investment Type	Less Than 1	1-5	6-10	More than 10
U.S. Treasury bills	\$ 7,077,108	\$ 1,004,300	\$ -	\$ -
Governmental National Mortgage Association (GNMA)	-	-	-	7,240,961
State of Mississippi bonds	586,054	284,476	-	-
U.S. International Development Finance Corporation	1,037,670	-	-	103,767
SBA asset-backed securities	-	207,765	-	-
Small Business Administration loans	315,684	1,806,116	-	-
Total investments	<u>\$ 9,016,516</u>	<u>\$ 3,302,657</u>	<u>\$ -</u>	<u>\$ 7,344,728</u>

Credit Risk. The City is allowed, by State Statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of failure of the counter party to a transaction, the City will not be able to recover the value of its investments that are held by an outside party. The City does not have a formal investment policy that addresses custodial credit risk. As of September 30, 2025, all investments were held by a third-party custodian counterparty and all investments which were held by the counterparty's trust department or agent are registered in the City's name.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 4 - CASH AND INVESTMENTS - CONTINUED:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the City would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 4 - CASH AND INVESTMENTS - CONTINUED:

The City has the following recurring fair value measurements as of September 30, 2025:

- U.S. Treasury Bills and Agency Securities of \$8,081,408 are valued using quoted market prices (Level 1 inputs).
- Mortgage-Backed Securities of \$7,240,961 and State of Mississippi bonds of \$870,530 are valued based on price data obtained from observed transactions and market price quotations from brokers/dealers and/or pricing (Level 2 inputs).
- U.S. International Development Finance Corporation Securities of \$1,141,437 are valued using quoted market prices (Level 1 inputs).
- Asset-backed securities of \$207,765 are valued based on priced data obtained from observed transactions and market price quotations from brokers/dealers (Level 2 inputs).
- SBA loans of \$2,121,800 are valued based on priced data obtained from observed transactions and market price quotations from brokers/dealers (Level 2 inputs).

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 5 - RECEIVABLES

Receivables at September 30, 2025, were as follows:

	<u>Accounts</u>	<u>Grants</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>Due from Other Governments</u>	<u>Total Receivables</u>
Governmental activities						
General fund	\$ 4,652,565	\$ 12,306	\$ 10,509,644	\$ 1,103,730	\$ -	\$ 16,278,245
Recreation and tourism special tax fund	310,876	-	950,650	-	-	1,261,526
City-wide debt service fund	-	-	26	328,042	368,681	696,749
City-wide capital projects	-	-	-	-	-	-
Internal service fund	57,087	-	-	-	-	57,087
Other non-major funds	-	22,639	-	-	-	22,639
Gross receivables	5,020,528	34,945	11,460,320	1,431,772	368,681	18,316,246
Less: Allowance for uncollectible accounts	(2,163,911)	-	-	-	-	(2,163,911)
Total governmental activities	2,856,617	34,945	11,460,320	1,431,772	368,681	16,152,335
Business-type activities						
Water and sewer fund	1,508,182	-	-	-	-	1,508,182
Golf course fund	-	-	-	-	-	-
Gross receivables	1,508,182	-	-	-	-	1,508,182
Less: Allowance for uncollectible accounts	(383,281)	-	-	-	-	(383,281)
Total business-type activities	1,124,901	-	-	-	-	1,124,901
Government-wide total	\$ 3,981,518	\$ 34,945	\$ 11,460,320	\$ 1,431,772	\$ 368,681	\$ 17,277,236

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 6 - LONG-TERM RECEIVABLES

Special assessments receivable in the amount of \$1,431,772 at September 30, 2025, are reported at the net present value of amounts due from property owners to fund the debt service on special assessment bonds issued to fund improvements on the North Flowood Drive extension and Wirtz Road extension projects.

Amounts due from other governments at September 30, 2025, in the amount of \$368,681 represents the net present value of amounts due from Rankin County, Mississippi in accordance with two interlocal pledge agreements designed to provide funds for the payment of the tax increment financing bonds in the City. The amounts to be paid are based on the added incremental increase in ad valorem taxes to be collected by the County as a result of the projects completed by the City in prior years. The amounts due from the County are irrevocable until all outstanding liabilities of the projects are paid in full.

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

<u>Fiscal Year Ending September 30,</u>	<u>Special Assessments Receivable</u>	<u>Due from Other Governments</u>
2026	\$ 255,888	\$ 189,948
2027	255,965	91,452
2028	256,081	92,232
2029	256,158	-
2030-2031	526,740	-
	1,550,832	373,632
Total payments due under agreements		
	(119,060)	(4,951)
Less discount to present value		
Total long-term receivables	\$ 1,431,772	\$ 368,681

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	Balance at October 1, 2024	Increases	Decreases	Completed Construction Transfers	Balance at September 30, 2025
Governmental activities					
Non-depreciable assets					
Land	\$ 37,384,859	\$ -	\$ -	\$ -	\$ 37,384,859
Construction in progress	4,454,027	5,050,159	-	(8,660,596)	843,590
Total	<u>41,838,886</u>	<u>5,050,159</u>	<u>-</u>	<u>(8,660,596)</u>	<u>38,228,449</u>
Depreciable assets					
Buildings	33,019,529	309,562	-	-	33,329,091
Improvements other than buildings	36,312,343	263,672	-	7,790,465	44,366,480
Machinery and equipment	14,754,657	919,277	(668,527)	870,131	15,875,538
Infrastructure	107,068,380	-	-	-	107,068,380
Right-of-use assets					
Vehicles and equipment	-	302,592	-	-	302,592
Subscription-based IT arrangement	-	285,050	-	-	285,050
Total	<u>191,154,909</u>	<u>2,080,153</u>	<u>(668,527)</u>	<u>8,660,596</u>	<u>201,227,131</u>
Total capital assets	<u>232,993,795</u>	<u>7,130,312</u>	<u>(668,527)</u>	<u>-</u>	<u>239,455,580</u>
Less accumulated depreciation for					
Buildings	(6,034,844)	(600,807)	-	-	(6,635,651)
Improvements other than buildings	(12,030,420)	(1,397,430)	-	-	(13,427,850)
Machinery and equipment	(11,118,882)	(751,462)	606,148	-	(11,264,196)
Infrastructure	(68,929,703)	(1,422,929)	-	-	(70,352,632)
Right-of-use assets	-	(103,039)	-	-	(103,039)
Total accumulated depreciation	<u>(98,113,849)</u>	<u>(4,275,667)</u>	<u>606,148</u>	<u>-</u>	<u>(101,783,368)</u>
Total governmental activities - capital assets, net	<u>\$134,879,946</u>	<u>\$ 2,854,645</u>	<u>\$ (62,379)</u>	<u>\$ -</u>	<u>\$137,672,212</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 land will ultimately be conveyed to the State of Mississippi upon completion of the project.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 7 - CAPITAL ASSETS - CONTINUED:

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

General government	\$ 107,934
Public safety	784,778
Public property maintenance	115,451
Street maintenance	2,008,273
Recreation and tourism	1,227,367
Shop and maintenance	11,218
Landscape	20,647
Total depreciation expense - governmental activities	<u>\$ 4,275,667</u>

	Balance at October 1, 2024	Increases	Decreases	Completed Construction Transfers	Balance at September 30, 2025
Business-type activities					
Non-depreciable assets					
Land	\$ 772,808	\$ -	\$ -	\$ -	\$ 772,808
Construction in progress	1,468,762	1,176,780	-	(2,047,851)	597,691
Total	<u>2,241,570</u>	<u>1,176,780</u>	<u>-</u>	<u>(2,047,851)</u>	<u>1,370,499</u>
Depreciable assets					
Machinery and equipment	1,219,172	9,999	(71,508)	-	1,157,663
Water distribution systems	79,267,159	2,057,934	-	2,047,851	83,372,944
Golf course facilities	7,712,655	-	-	-	7,712,655
Total	<u>88,198,986</u>	<u>2,067,933</u>	<u>(71,508)</u>	<u>2,047,851</u>	<u>92,243,262</u>
Total capital assets	<u>90,440,556</u>	<u>3,244,713</u>	<u>(71,508)</u>	<u>-</u>	<u>93,613,761</u>
Less accumulated depreciation for					
Machinery and equipment	(917,826)	(52,059)	65,974	-	(903,911)
Water distribution systems	(36,322,173)	(2,322,972)	-	-	(38,645,145)
Golf course facilities	(4,021,807)	(135,251)	-	-	(4,157,058)
Total accumulated depreciation	<u>(41,261,806)</u>	<u>(2,510,282)</u>	<u>65,974</u>	<u>-</u>	<u>(43,706,114)</u>
Total business-type activities - capital assets, net	<u>\$ 49,178,750</u>	<u>\$ 734,431</u>	<u>\$ (5,534)</u>	<u>\$ -</u>	<u>\$ 49,907,647</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 7 - CAPITAL ASSETS - CONTINUED:

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

Golf course	\$ 135,251
Water and sewer	2,375,031
Total depreciation expense - business-type activities	<u>\$ 2,510,282</u>

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2025:

	Beginning Balance October 1, 2024	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2025	Due Within One Year
Governmental activities					
General obligation bonds	\$ 34,527,697	\$ -	\$ (4,050,501)	\$ 30,477,196	\$ 4,020,301
General obligation premium	378,142	-	(69,680)	308,462	69,680
Limited obligation bonds	29,000	-	(29,000)	-	-
Financing lease obligations	537,728	587,642	(442,000)	683,370	498,699
Compensated absences	1,386,860	79,743	-	1,466,603	571,219
Government activities total	<u>36,859,427</u>	<u>667,385</u>	<u>(4,591,181)</u>	<u>32,935,631</u>	<u>5,159,899</u>
Business-type activities					
General obligation bonds	3,708,303	-	(520,499)	3,187,804	531,699
General obligation premium	74,085	-	(11,390)	62,695	11,390
Notes	1,576,909	-	(192,279)	1,384,630	191,228
Compensated absences	26,528	23,376	-	49,904	16,653
Business-type activities total	<u>5,385,825</u>	<u>23,376</u>	<u>(724,168)</u>	<u>4,685,033</u>	<u>750,970</u>
Government-wide total	<u>\$ 42,245,252</u>	<u>\$ 690,761</u>	<u>\$ (5,315,349)</u>	<u>\$ 37,620,664</u>	<u>\$ 5,910,869</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2025, were as follows:

Fiscal Year Ending September 30,	Governmental Activities							
	General		Limited		Leases Payable		Total	
	Obligation Bonds Principal	Interest	Obligation Bonds Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 4,020,301	\$ 791,925	\$ -	\$ -	\$ 498,699	\$ 11,134	\$ 4,519,000	\$ 803,059
2027	3,752,356	706,883	-	-	184,671	5,651	3,937,027	712,534
2028	3,659,269	622,077	-	-	-	-	3,659,269	622,077
2029	3,562,180	534,343	-	-	-	-	3,562,180	534,343
2030	3,089,876	453,611	-	-	-	-	3,089,876	453,611
2031-2035	8,143,214	1,415,417	-	-	-	-	8,143,214	1,415,417
2036-2040	4,250,000	244,425	-	-	-	-	4,250,000	244,425
	<u>\$ 30,477,196</u>	<u>\$ 4,768,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,370</u>	<u>\$ 16,785</u>	<u>\$ 31,160,566</u>	<u>\$ 4,785,466</u>

Fiscal Year Ending September 30,	Business-Type Activities					
	General		Notes Payable		Total	
	Obligation Bonds Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 531,699	\$ 77,264	\$ 191,228	\$ 23,711	\$ 722,927	\$ 100,975
2027	547,644	63,314	194,726	20,203	742,370	83,517
2028	562,732	48,663	198,297	16,632	761,029	65,295
2029	577,820	33,307	201,935	13,002	779,755	46,309
2030	478,124	19,195	205,651	9,286	683,775	28,481
2031-2035	489,785	6,490	392,793	7,808	882,578	14,298
	<u>\$ 3,187,804</u>	<u>\$ 248,233</u>	<u>\$ 1,384,630</u>	<u>\$ 90,642</u>	<u>\$ 4,572,434</u>	<u>\$ 338,875</u>

Bonds and notes payable at September 30, 2025, are comprised of the following individual issues:

General Obligation Bonds:

\$1,540,000 Special Assessment Bonds Series 2009 due in annual installments of \$80,000 to \$115,000 on 11-1 of each year through 11-1-2029; and interest at 3.20% to 4.55%, payable on 5-1 and 11-1 of each year.

\$ 525,000

\$9,450,000 Refunding Series 2014 due in annual installments of \$565,000 to \$1,020,000, payable on 10-1 of each year through 10-1-28, net of unamortized premium of \$525,797 at September 30, 2020; and interest at 2.00% to 3.50%, payable on 4-1 and 10-1 of each year.

General Fund	\$ 2,050,988	
Water & Sewer Enterprise Fund	<u>424,012</u>	2,475,000

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

General Obligation Bonds - continued:

\$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. \$ 350,000

\$20,000,000 Taxable General Obligation Urban Renewal Series 2017 due in annual installments of \$855,000 to \$1,470,000 (initial payment due 11-1-2020), payable on 11-1 of each year through 11-1-37; and interest at 2.073% to 3.772%, payable on 5-1 and 11-1 of each year. 15,525,000

\$10,765,000 Taxable General Obligation Bonds, Refunding Series 2019. The funds were used to refund a portion of the \$19,080,000 Mississippi Development Bank Special Obligation Bond. The bonds are due in annual installments of \$135,000 to \$1,260,000, payable on 11-1 of each year through 11-1-30, net of unamortized premium of \$205,414 at September 30, 2020; and interest at 1.870% to 2.650%, payable on 5-1 and 11-1 of each year.

General Fund	\$ 4,346,208	
Water & Sewer Enterprise Fund	<u>2,763,792</u>	7,110,000

\$1,969,000 General Obligation Refunding Bonds, Series 2021A. The funds were used to currently refund and redeem all of the outstanding maturities of the \$1,695,000 Tax Increment Financing Bonds, Series 2006 (Lakeland Commons Project) and all of the outstanding maturities of the \$2,700,000 Mississippi Development Bank Special Obligation Bonds, Series 2009. The bonds are due in annual installments of \$177,000 to \$303,000, payable on 5-1 of each year through 5-1-28; and interest at 0.80% payable on 5-1 and 11-1 of each year. 540,000

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

General Obligation Bonds - continued:

\$6,227,000 General Obligation Refunding Bonds, Series 2021B. The funds were used to currently refund and redeem all of the outstanding maturities of the \$6,413,000 General Obligation Refunding Bonds, Series 2017. The bonds are due in annual installments of \$667,000 to \$713,000, payable on 3-1 of each year through 3-1-30; and interest at 0.90% payable on 3-1 and 9-1 of each year.

\$ 3,517,000

\$5,430,000 Taxable General Obligation Refunding Bonds, Series 2021C. The funds were used to currently refund and redeem all of the outstanding maturities of the \$1,845,000 Taxable General Obligation Refunding Bonds, Series 2015 and advance refund and defease a portion of the outstanding maturities of the \$5,000,000 Taxable General Obligation Bonds, Series 2017. The bonds are due in annual installments of \$342,000 to \$573,000, payable on 11-1 of each year through 11-1-32; and interest at 1.230% payable on 5-1 and 11-1 of each year.

3,623,000

\$ 33,665,000

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Notes:

<p>\$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.</p>	<p>\$ 426,255</p>
<p>\$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.</p>	<p>958,375</p> <hr/> <p>\$ 1,384,630</p> <hr/>

Financing Lease Obligations

The City has entered into a lease agreement for financing the acquisition of a fire truck. The lease has been reported at the present value of the future minimum lease payments as of the inception dates. The fire truck purchased under finance leases had an original cost in the amount of \$870,131 and accumulated depreciation of \$69,610, resulting in a net book value of \$800,521. Additionally, during 2025, the City entered into a SBITA for police video equipment and cloud storage services. These agreements have been reported at the present value of the future minimum payment as of the inception date. These right-of-use assets have an original cost in the amount of \$587,642 and accumulated amortization of \$103,069, resulting in a net book value of \$484,573. Obligations of the City's governmental activities under finance leases at September 30, 2025, are \$683,370. Future lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2026	\$ 281,241	\$ 24,873	\$ 306,114
2027	291,112	15,001	306,113
2028	111,017	7,774	118,791
Total lease payments	<u>\$ 683,370</u>	<u>\$ 47,648</u>	<u>\$ 731,018</u>

Bond Covenants

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 9 - INTERFUND ADVANCES AND TRANSFERS

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2025:

Advances

Advances to/from other funds at September 30, 2025, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Nonmajor Funds	\$ 22,639
	City-Wide Debt Service	509,772
	City-Wide Capital Projects	200,150
	Recreation and Tourism	24,498
	Golf Course Enterprise Fund	1,800
	Water and Sewer Enterprise Fund	90,802
	City-Wide Capital Projects	Recreation and Tourism
	General Fund	21,707
City-Wide Debt Service	Recreation and Tourism	6,990
	General Fund	100,025
Water and Sewer Fund	General Fund	40,763
		<u>\$ 1,068,065</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 - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 9 - INTERFUND ADVANCES AND TRANSFERS - CONTINUED:

Transfers

Transfers in/out from other funds at September 30, 2025, are as follows:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>
City-Wide Debt Service	General Fund	\$ 2,482,512
	Recreational and Tourism	1,675,000
City-Wide Capital Projects	General Fund	1,279,066
	Recreational and Tourism	2,250,842
Golf Course Enterprise Fund	Recreational and Tourism	190,000
		<u>\$ 7,877,420</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 10 - CONTINGENT LIABILITIES

Grant Audits

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

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 - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 11 - 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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 11 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended September 30, 2025, the City's total payroll for all employees was \$13,650,074. Total covered payroll was \$13,539,951. 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, 2025, was 18.4% 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, 2025, 2024, and 2023, were \$2,440,720, \$2,152,542, and \$2,006,853, respectively, which equaled the required contributions for each year.

At September 30, 2025, the City reported a liability of \$42,944,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. 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, 2025, the City's proportion was 0.1691 percent, which was an increase of 0.0117 percentage points from its proportion measured as of June 30, 2024.

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

For the year ended September 30, 2025, the City recognized pension expense of \$5,514,590. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 11 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,750,046	\$ -
Changes in assumptions	900,624	410,249
Net difference between projected and actual earnings on pension plan investments	-	1,159,827
Changes in proportion and differences between City contributions and proportionate share of contributions	2,181,060	263,787
City contributions subsequent to the measurement date	628,143	-
Total	\$ 5,459,873	\$ 1,833,863

The \$628,143 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2026	\$ 3,556,957
2027	213,826
2028	(304,142)
Thereafter	(468,774)
Total	\$ 2,997,867

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2024 and a measurement date of June 30, 2025, using standard rollforward techniques, and using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.00 percent, net of Plan investment expense, including inflation

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 11 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 107% of all rates. For females, 97% of female rates up to age 82 and 100% for ages 83 to 87 and 110% for ages above 87. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy. The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2024.

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>
Domestic Equity	27.00%	4.75 %
International Equity	20.00%	4.75 %
Global Equity	12.00%	4.95 %
Fixed Income	20.00%	2.25 %
Real Estate	10.00%	3.75 %
Private Equity	10.00%	6.00 %
Cash Equivalents	<u>1.00%</u>	0.50 %
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.00 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 phased in to 19.90% over five fiscal years (18.40% for FYE 2026, 18.90% for FYE 2027, 19.40% for FYE 2028, 19.90% for FYE 2029 and beyond). 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 - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 11 - 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, calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	City's Proportionate Share of Net <u>Pension Liability</u>
1.00% decrease (6.00%)	\$ 55,842,954
Current discount rate (7.00%)	42,944,309
1.00% increase (8.00%)	32,348,808

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 12 - 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 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 - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 13 - 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 90 days written notice.

An excess loss insurance policy issued by Xchange Benefits is in effect to reimburse the City for claims for any covered person in excess of \$75,000 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, 2025, the City was reimbursed \$134,236 for losses in excess of \$75,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at September 30, 2025, 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 2023 through 2025 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Fiscal Year
2022-2023	\$ 166,968	\$ 2,037,248	\$ 1,981,283	\$ 222,933
2023-2024	222,933	1,863,190	1,967,775	118,348
2024-2025	118,348	1,834,331	1,699,649	253,030

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 14 - COMMITMENTS

Concentrations and Constraints

The City faces a variety of risks that could affect the level of service they provide or their ability to meet obligations as they come due. These risks can arise from vulnerabilities due to concentrations or constraints. The City has identified the following risks:

- Most of the City’s revenues are generated from taxes collected within the city limits and are closely tied to the strength of the local economy. Sales taxes account for 38.3% of total governmental fund revenues, while property taxes contribute 20.5%. Substantially all revenues for the proprietary funds are also generated locally.
- The City participates in a cost-sharing defined benefit pension plan. Contribution rates are subject to change based on actuarial valuations, which could significantly increase future expenditures.

Commitments

At September 30, 2025, 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, 2025	Commitment Outstanding as of September 30, 2025
Water and Wastewater Master Planning	Engineering	225,300	208,510	\$ 16,790
Hugh Ward and Manship Intersection	Engineering	87,000	58,500	28,500
Highway 25 Utility Relocate	Construction	713,815	443,970	269,845
Fire Station # 1 Re-roof project	Engineering	15,000	-	15,000
Total				<u>\$ 330,135</u>

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED: SEPTEMBER 30, 2025

NOTE 15 - TAX ABATEMENTS

The City has granted seven 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 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, 2025, the City abated ad valorem taxes for local businesses in the amount of \$377,357 as allowed by Section 27-31-101 and Section 27-31-105, Mississippi Code of 1972, as amended. The exemptions expire in fiscal years 2023 through 2028.

NOTE 16 - LESSOR FINANCING LEASE

In September 2018, the City entered into an amended lease agreement with a commercial entity to lease property owned by the City. The amended lease commenced on October 27, 2018, and extended the original agreement for five additional consecutive five-year periods which are deemed automatically exercised without notice by the lessee. The City received a payment in the amount of \$1,100,000 upon commencement of the amended lease. The amended lease agreement also provides for monthly payments beginning at \$2,000 and increasing 3% per year. At September 30, 2025, the monthly payment amount was \$2,460.

In June 2021, the City entered into two lease agreements with commercial entities to lease property owned by the City. The leases are both for five years beginning June 1, 2021. The lease agreements provide for monthly payments beginning at \$3,450 and \$3,000 and increasing 3% per year. At September 30, 2025, the monthly payment amounts were \$3,883 and \$3,377.

In January 2024, the City entered into a lease agreement with a commercial entity to lease property owned by the City. Rent commenced in January 1, 2025 upon completion of construction and will continue for a five-year period. The lease agreement provides for monthly payments beginning at \$3,450 and increasing 3% each year. At September 30, 2025, the monthly payment amount was \$3,450.

In accordance with GASB Statement No. 87, *Leases*, the City recognizes a lease receivable and a deferred inflow of resources for the foregoing leases in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the year was \$275,592.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this standard had no impact on the City's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, recognizes that state and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - Continued:

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management adopted this statement in the current year.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This statement 1) introduces revisions to MD&A, 2) updates the presentation of proprietary funds, distinguishing between operating and non-operating revenues and expenses, 3) requires the display of inflows and outflows related to each unusual or infrequent item separately, 4) requires presentation of each major component unit separately in the government-wide statement of net position and statement of activities, and 5) requires presentation of budgetary comparison information in required supplementary information. The new standard is effective for periods beginning after June 15, 2025. Application of this statement is effective for the City's year ending September 30, 2026.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. Application of this statement is effective for the City's year ending September 30, 2026.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS - CONTINUED:
SEPTEMBER 30, 2025**

NOTE 18 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 29, 2026, the date the financial statements were approved by the City's management and thereby available to be issued, and has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 8,165,000	\$ 8,258,000	\$ 8,422,176	\$ 164,176
Special assessments	172,000	172,000	178,146	6,146
Franchise fees	800,000	830,000	837,821	7,821
Licenses and permits	450,000	600,000	686,476	86,476
Intergovernmental	19,200,000	20,055,000	20,346,468	291,468
Charges for services	200,000	240,000	255,061	15,061
Fines and forfeits	775,000	750,000	794,742	44,742
Lease revenue	265,000	390,000	361,618	(28,382)
Interest earned	365,000	565,000	1,300,588	735,588
Miscellaneous	10,000	10,000	3,008	(6,992)
Total revenues	<u>30,402,000</u>	<u>31,870,000</u>	<u>33,186,104</u>	<u>1,316,104</u>
Expenditures				
General government	2,000,000	2,090,000	1,952,747	137,253
Public safety	14,596,000	14,660,000	13,974,479	685,521
Court	830,000	725,000	638,923	86,077
Public property maintenance	1,305,000	1,265,000	1,192,526	72,474
Sanitation	625,000	655,000	594,495	60,505
Health	100,000	108,500	91,312	17,188
Street maintenance	5,000,000	4,925,000	4,507,858	417,142
Shop and maintenance	900,000	970,000	871,294	98,706
Landscape	1,250,000	1,225,000	1,111,742	113,258
Legal	415,500	385,500	368,644	16,856
Recreation	1,640,000	1,665,000	1,534,873	130,127
Engineering	151,000	116,000	93,818	22,182
Debt service	550,000	550,000	306,114	243,886
Total expenditures	<u>29,362,500</u>	<u>29,340,000</u>	<u>27,238,825</u>	<u>2,101,175</u>
Excess of revenues over expenditures	<u>1,039,500</u>	<u>2,530,000</u>	<u>5,947,279</u>	<u>3,417,279</u>
Other financing sources (uses)				
Sale of capital assets	-	-	67,931	67,931
Proceeds from capital lease	-	-	587,642	587,642
Operating transfers in	-	-	-	-
Transfers out	(3,532,510)	(3,532,510)	(3,761,578)	(229,068)
Total financing sources (uses)	<u>(3,532,510)</u>	<u>(3,532,510)</u>	<u>(3,106,005)</u>	<u>426,505</u>

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
SEPTEMBER 30, 2025**

	<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	\$ (2,493,010)	\$ (1,002,510)	\$ 2,841,274	\$ 3,843,784
Fund balances at beginning of year	26,983,229	18,787,392	31,262,469	12,475,077
Fund balances at end of year	<u>\$ 24,490,219</u>	<u>\$ 17,784,882</u>	<u>\$ 34,103,743</u>	<u>\$ 16,318,861</u>
Explanation of Differences Between Budgetary Fund Balance and GAAP Fund Balance				
Fund Balance - budgetary basis			\$ 34,103,743	
Adjustments to GAAP basis				
Net accrued revenue				
Ad valorem taxes			59,279	
Special assessments			287	
Intergovernmental			143,136	
Police fines			17,368	
Net effect of lease adjustments			(397,319)	
Net prepaid expenses			49,476	
Net accounts payable paid after October 30, 2025			(108,594)	
Fund Balance - GAAP basis			<u>\$ 33,867,376</u>	

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Personal services	\$ 1,475,000	\$ 1,475,000	\$ 1,395,730	\$ 79,270
Supplies	70,000	70,000	52,785	17,215
Other services and charges	425,000	525,000	493,460	31,540
Capital outlay	30,000	20,000	10,772	9,228
Total general government	2,000,000	2,090,000	1,952,747	137,253
Public safety				
Police				
Personal services	5,800,000	5,850,000	5,665,970	184,030
Supplies	375,000	375,000	344,569	30,431
Other services and charges	600,000	675,000	531,430	143,570
Capital outlay	320,000	250,000	210,507	39,493
Total police	7,095,000	7,150,000	6,752,476	397,524
Fire				
Personal services	6,650,000	6,650,000	6,412,324	237,676
Supplies	240,000	230,000	217,025	12,975
Other services and charges	340,000	340,000	305,949	34,051
Capital outlay	271,000	290,000	286,705	3,295
Total fire	7,501,000	7,510,000	7,222,003	287,997
Total public safety	14,596,000	14,660,000	13,974,479	685,521
Court				
Personal services	545,000	500,000	482,925	17,075
Supplies	15,000	15,000	8,430	6,570
Other services and charges	260,000	200,000	147,568	52,432
Capital outlay	10,000	10,000	-	10,000
Total court	830,000	725,000	638,923	86,077
Public property maintenance				
Personal services	145,000	145,000	141,507	3,493
Supplies	90,000	90,000	82,698	7,302
Other services and charges	710,000	730,000	734,321	(4,321)
Capital outlay	360,000	300,000	234,000	66,000
Total public property maintenance	1,305,000	1,265,000	1,192,526	72,474

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Sanitation				
Other services and charges	\$ 625,000	\$ 655,000	\$ 594,495	\$ 60,505
Total sanitation	625,000	655,000	594,495	60,505
Health				
Personal services	35,000	45,000	42,905	2,095
Supplies	63,500	42,000	32,008	9,992
Other services and charges	1,500	1,500	489	1,011
Capital outlay	-	20,000	15,910	4,090
Total health	100,000	108,500	91,312	17,188
Street maintenance				
Personal services	1,825,000	1,825,000	1,749,770	75,230
Supplies	275,000	275,000	246,602	28,398
Other services and charges	2,400,000	2,400,000	2,112,492	287,508
Capital outlay	500,000	425,000	398,994	26,006
Total street maintenance	5,000,000	4,925,000	4,507,858	417,142
Shop				
Personal services	325,000	325,000	312,127	12,873
Supplies	475,000	550,000	477,642	72,358
Other services and charges	80,000	85,000	81,525	3,475
Capital outlay	20,000	10,000	-	10,000
Total shop	900,000	970,000	871,294	98,706
Landscape				
Personal services	820,000	860,000	840,184	19,816
Supplies	160,000	140,000	120,993	19,007
Other services and charges	250,000	200,000	129,698	70,302
Capital outlay	20,000	25,000	20,867	4,133
Total landscape	1,250,000	1,225,000	1,111,742	113,258
Legal				
Personal services	390,000	360,000	352,859	7,141
Supplies	1,500	1,500	-	1,500
Other services and charges	24,000	24,000	15,785	8,215
Total legal	415,500	385,500	368,644	16,856

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Recreation				
Personal services	\$ 1,065,000	\$ 1,000,000	\$ 963,215	\$ 36,785
Supplies	275,000	290,000	228,088	61,912
Other services and charges	300,000	375,000	343,570	31,430
Total recreation	<u>1,640,000</u>	<u>1,665,000</u>	<u>1,534,873</u>	<u>130,127</u>
Engineering				
Personal services	115,000	80,000	70,097	9,903
Supplies	8,000	8,000	5,274	2,726
Other services and charges	28,000	28,000	18,447	9,553
Total engineering	<u>151,000</u>	<u>116,000</u>	<u>93,818</u>	<u>22,182</u>
Debt service				
Principal payment and interest expense	550,000	550,000	306,114	243,886
Total debt service	<u>550,000</u>	<u>550,000</u>	<u>306,114</u>	<u>243,886</u>
Total expenditures	<u>\$ 29,362,500</u>	<u>\$ 29,340,000</u>	<u>\$ 27,238,825</u>	<u>\$ 2,101,175</u>

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RECREATION AND TOURISM SPECIAL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<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	\$ 5,500,000	\$ 5,700,000	\$ 6,049,184	\$ 349,184
Interest earned	106,000	300,000	327,217	27,217
Special event sponsorships	-	-	164,050	164,050
Total revenues	<u>5,606,000</u>	<u>6,000,000</u>	<u>6,540,451</u>	<u>540,451</u>
Expenditures				
Recreation				
Other services and charges	465,000	660,000	523,390	136,610
Capital outlay	565,000	1,400,000	1,344,702	55,298
Total expenditures	<u>1,030,000</u>	<u>2,060,000</u>	<u>1,868,092</u>	<u>191,908</u>
Excess of revenues over expenditures	<u>4,576,000</u>	<u>3,940,000</u>	<u>4,672,359</u>	<u>732,359</u>
Other financing sources (uses)				
Transfers out	(5,775,000)	(4,675,000)	(4,115,842)	559,158
Total other financing sources (uses)	<u>(5,775,000)</u>	<u>(4,675,000)</u>	<u>(4,115,842)</u>	<u>559,158</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>(1,199,000)</u>	<u>(735,000)</u>	<u>556,517</u>	<u>1,291,517</u>
Fund balance at beginning of year	<u>9,682,184</u>	<u>9,682,184</u>	<u>9,682,184</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,483,184</u>	<u>\$ 8,947,184</u>	<u>\$ 10,238,701</u>	<u>\$ 1,291,517</u>

Explanation of Differences Between Budgetary

Fund Balance and GAAP Fund Balance

Fund balance - budgetary basis	\$ 10,238,701
Adjustment to GAAP basis	
Net accrued sales tax revenue	<u>144,595</u>
Fund balance - GAAP basis	<u>\$ 10,383,296</u>

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City's proportion of the collective net pension liability	\$ 26,686,571	\$ 25,350,675	\$ 26,280,095	\$ 26,968,495	\$ 28,786,592	\$ 22,554,947	\$ 31,122,462	\$ 37,953,342	\$ 40,872,729	\$ 42,944,309
City's proportionate share of the collective net pension liability	0.1494%	0.1525%	0.1580%	0.1533%	0.1487%	0.1526%	0.1512%	0.1509%	0.1574%	0.1692%
City's covered payroll	\$ 9,560,603	\$ 9,782,089	\$ 10,091,644	\$ 9,983,048	\$ 9,904,448	\$ 10,147,849	\$ 10,408,136	\$ 11,183,432	\$ 12,058,208	\$ 13,235,891
City's proportionate share of the net pension liability as a percentage of its covered payroll	279.13%	259.15%	260.41%	270.14%	290.64%	222.26%	299.02%	339.37%	338.96%	324.45%
PERS' fiduciary net position as a percentage of the total pension liability	57.47%	61.49%	62.54%	61.59%	58.97%	70.44%	59.93%	55.70%	56.30%	58.38%

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined employer contribution	\$ 1,507,347	\$ 1,550,838	\$ 1,588,950	\$ 1,613,064	\$ 1,748,625	\$ 1,759,058	\$ 1,830,539	\$ 2,006,853	\$ 2,152,542	\$ 2,440,720
Contributions in relation to the actuarially determined contributions	1,507,347	1,550,838	1,588,950	1,613,064	1,748,625	1,759,058	1,830,539	2,006,853	2,152,542	2,440,720
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 9,570,458	\$ 9,846,592	\$ 10,088,570	\$ 9,989,102	\$ 10,049,571	\$ 10,109,527	\$ 10,520,339	\$ 11,533,640	\$ 12,278,951	\$ 13,539,951
Actual contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	16.15%	17.40%	17.40%	17.40%	17.40%	17.53%	18.03%

See accompanying notes to required supplementary information schedules.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SEPTEMBER 30, 2025**

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 - METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2023 valuation for the September 30, 2025 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24.7 years
Asset valuation method	5-year smoothed fair value
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

NOTE B - CHANGES IN BENEFIT PROVISIONS

None.

NOTE C - CHANGES OF ASSUMPTIONS

None

OTHER INFORMATION

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS (UNAUDITED)
SEPTEMBER 30, 2025**

Bond Name	Position	Company	Bond
Kathy Smith	Mayor	Travelers	\$ 100,000
Deron Harmon	Alderman	Travelers	100,000
Kimberly Buford	Alderwoman	Travelers	100,000
Kirk McDaniel	Alderman	Travelers	100,000
Michael Prestage	Alderman	Travelers	100,000
Seth Robbins	Alderman	Travelers	100,000
Steven Joshua Carlisle	City Clerk	Travelers	100,000
Eric Zetterholm	Police Chief	Travelers	100,000
Jennifer Lynn Chapin	Court Clerk	Travelers	100,000
Jared Green	Deputy City Clerk	Travelers	50,000
Barbara Watkins	Deputy City Clerk	Travelers	50,000
Ryan Reyes	Payroll Clerk	Travelers	50,000
Amanda Rankin	Accounting Clerk	Travelers	50,000
Sherry Black	Accounts Payable	Travelers	50,000
Cheryl Johnson	Water Billing Clerk	Travelers	50,000
Sandy Pruitt	Water Billing Clerk	Western Surety	50,000
Susan Bolian	Parks Asst Director	Travelers	50,000
Melissa Malone	Permit Clerk	Travelers	50,000
Karlee Ledbetter	Permit Clerk	Travelers	50,000
Kellie McBee	Deputy Court Clerk	Travelers	50,000
April White	Deputy Court Clerk	Travelers	50,000
Brittany King	Deputy Court Clerk	Travelers	50,000
Kaylen Edmonds	Deputy Court Clerk	Travelers	50,000
Aaron Messer	Police Officer	Travelers	50,000
Heather Winters	Police Officer	Travelers	50,000
Dawn Mayes	Dispatcher Supervisor	Travelers	50,000
Casey Bowen	Dispatcher	Travelers	50,000
Faith Pendergrass	Dispatcher	Travelers	50,000
Joshua Martin	Dispatcher	Travelers	50,000
Margaret Taylor	Dispatcher	Travelers	50,000
Mekayla Brown	Dispatcher	Travelers	50,000
Samantha Miller	Dispatcher	Travelers	50,000
Skyla Morrow	Dispatcher	Travelers	50,000
Jaime Burkett	Dispatcher Admin Asst	Travelers	50,000
Kristin Watson	Evidence Custodian	Travelers	50,000
Public Employees Honesty Bond	All Employees	Western Surety	50,000 each
Unemployment Bond	All Employees	Western Surety	60,000 total

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

To the Honorable Mayor and Board of Alderpersons
City of Flowood, Mississippi
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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 to 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

BMSS, LLC

Ridgeland, Mississippi
April 29, 2026

**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, 2025, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated April 29, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

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

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

BMSS, LLC

Ridgeland, Mississippi
April 29, 2026