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CITY OF FLOWOOD, MISSISSIPPI
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
SEPTEMBER 30, 2004

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flowood, Mississippi as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Flowood, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of the City of Flowood, Mississippi's internal control over financial reporting and

on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 57 through 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

October 7, 2005

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2004

Our discussion and analysis of The City of Flowood's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 15 to enhance their understanding of the City's financial performance. This is the second year that the City has presented its financial statements under the new reporting model required by GASB 34. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

- The net assets of the City increased by \$9,351,089 as a result of this year's operations. The primary factor resulting in the increase was the receipt of \$2,030,451 in capital grants which were used to construct various capital assets. Increases in general revenues (primarily sales tax) were also a major contributing factor.
- The City's General Fund realized a significant increase in total revenue compared to the prior year (\$9,446,049 in 2004 compared to \$8,449,563 in 2003). Total expenditures also reflected an increase (\$8,040,533 in 2004 compared to \$7,195,430 in 2003). Increased sales tax was the primary factor resulting in the increased revenues.

USING THE ANNUAL FINANCIAL REPORT

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

The Statement of Net Assets and Statement of Activities (on pages 15 and 16) provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2004

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets for the 2004 fiscal year and changes in them. The City's net assets - the difference between assets and liabilities - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, non financial information, such as changes in the City's tax base and the condition of the City's capital assets, will also need to be evaluated.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 17. 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

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

REPORTING THE CITY AS A WHOLE - CONTINUED:

funds which account for the multitude of services provided to the City's residents. Some funds are required to be established by State law, while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

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

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

Proprietary funds - The City charges customers for certain services it provides. These services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are identical to the business type activities that are reported in the government-wide

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

REPORTING THE CITY AS A WHOLE - CONTINUED:

statements, but provide more detail and additional information such as cash flows. The internal service fund is utilized to report activities that provide services for the City's other programs and activities. Because these services benefit both governmental as well as business type functions, their cost has been included in both the governmental and business type activities in the government-wide financial statements.

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City acts as the trustee, or fiduciary, for the activity of the Airport Parkway Commission and the East Metro Corridor Commission. The activity of the Airport Parkway Commission and the East Metro Corridor Commission is reported in separate Statements of Fiduciary Net Assets. 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

Recall that the Statement of Net Assets looks at the City as a whole. The City's combined net assets were \$53,792,359 and \$44,441,270 as of September 30, 2004 and 2003, respectively. **Table 1** provides a summary of the City's net assets.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 1)
Condensed Statement of Net Assets
At September 30, 2004 and 2003**

	2004			2003		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Current and other assets	\$ 21,210,014	3,676,300	24,886,314	9,363,650	1,597,847	10,961,497
Capital assets, net	<u>40,809,095</u>	<u>32,292,394</u>	<u>73,101,489</u>	<u>38,735,298</u>	<u>32,356,533</u>	<u>71,091,831</u>
Total assets	<u>62,019,109</u>	<u>35,968,694</u>	<u>97,987,803</u>	<u>48,098,948</u>	<u>33,954,380</u>	<u>82,053,328</u>
Current liabilities	4,616,986	1,227,870	5,844,856	3,872,775	1,229,324	5,102,099
Noncurrent liabilities	<u>23,342,448</u>	<u>15,008,140</u>	<u>38,350,588</u>	<u>17,172,310</u>	<u>15,337,649</u>	<u>32,509,959</u>
Total liabilities	<u>27,959,434</u>	<u>16,236,010</u>	<u>44,195,444</u>	<u>21,045,085</u>	<u>16,566,973</u>	<u>37,612,058</u>
Net assets:						
Invested in capital assets, net of debt	16,456,281	16,850,759	33,307,040	20,451,714	16,995,918	37,447,632
Restricted:						
Capital projects	(18,517)	-	(18,517)	331,314	-	331,314
Debt service	9,917,212	275,280	10,192,492	1,058,299	232,074	1,290,373
Unrestricted	<u>7,704,699</u>	<u>2,606,645</u>	<u>10,311,344</u>	<u>5,212,536</u>	<u>159,415</u>	<u>5,371,951</u>
Total net assets	\$ <u>34,059,675</u>	<u>19,732,684</u>	<u>53,792,359</u>	<u>27,053,863</u>	<u>17,387,407</u>	<u>44,441,270</u>

The largest portion of the City's net assets (61.92%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Changes in Net Assets for the year ended September 30, 2004 and 2003 are summarized in **Table 2**.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

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

	December 31, 2004			December 31, 2003		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 1,424,514	4,514,601	5,939,115	1,040,581	3,758,307	4,798,888
Capital grants and contributions	721,187	1,318,334	2,039,521	4,271,624	-	4,271,624
General revenues:						
Property taxes	2,531,700	-	2,531,700	2,356,790	-	2,356,790
Sales tax	5,786,790	-	5,786,790	5,213,633	-	5,213,633
Other	<u>11,033,869</u>	<u>34,241</u>	<u>11,068,110</u>	<u>2,086,044</u>	<u>10,280</u>	<u>2,096,324</u>
Total revenues	<u>21,498,060</u>	<u>5,867,176</u>	<u>27,365,236</u>	<u>14,968,672</u>	<u>3,768,587</u>	<u>18,737,259</u>
EXPENSES:						
General government	898,841	-	898,841	834,741	-	834,741
Public safety	4,431,166	-	4,431,166	4,729,853	-	4,729,853
Court	371,684	-	371,684	-	-	-
Public property maintenance	276,143	-	276,143	292,976	-	292,976
Sanitation	144,000	-	144,000	158,214	-	158,214
Health	60,171	-	60,171	59,815	-	59,815
Street maintenance	1,664,963	-	1,664,963	1,408,124	-	1,408,124
Recreation	467,973	-	467,973	453,390	-	453,390
Shop and maintenance	267,783	-	267,783	248,543	-	248,543
Community and economic development	1,806,762	-	1,806,762	-	-	-
Debt service	866,733	-	866,733	448,146	-	448,146
Water and sewer	-	3,186,216	3,186,216	-	3,041,589	3,041,589
Golf course	-	<u>1,278,434</u>	<u>1,278,434</u>	-	<u>1,269,843</u>	<u>1,269,843</u>
Total expenses	<u>11,256,219</u>	<u>4,464,650</u>	<u>15,720,869</u>	<u>8,633,802</u>	<u>4,311,432</u>	<u>12,945,234</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	10,241,841	1,402,526	11,644,367	6,334,870	(542,845)	5,792,025
TRANSFERS	<u>(942,751)</u>	<u>942,751</u>	<u>-</u>	<u>(371,800)</u>	<u>371,800</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	9,299,090	2,345,277	11,644,367	5,963,070	(171,045)	5,792,025
NET ASSETS, BEGINNING OF YEAR	27,053,863	17,387,407	44,441,270	21,090,793	17,558,452	38,649,245
PRIOR PERIOD ADJUSTMENT	<u>(2,293,278)</u>	<u>-</u>	<u>(2,293,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	\$ <u>34,059,675</u>	<u>19,732,684</u>	<u>53,792,359</u>	<u>27,053,863</u>	<u>17,387,407</u>	<u>44,441,270</u>

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities

Several revenue sources fund our governmental activities. The City's sales tax accounted for \$5,786,790 or 26.9% of gross revenue; revenues from charges for services and grants and entitlements accounted for \$2,145,701 or 9.98% of gross revenues; and property taxes accounted for \$2,531,700 or 11.78% of revenues.

The City of Flowood has been able to increase its sales tax collections in the last six years by \$3,258,204 from gross collections in 1998 of \$2,528,586 to gross collections in 2004 of \$5,786,790. The majority of this increase is due to an aggressive economic development program and development of a booming retail and commercial district of the City, this being the Lakeland Drive (State Hwy 25) Development Corridor. Although much of this development has been accomplished through the use of property tax incentives (such as tax increment financing programs), the loss in property taxes collected has been more than offset by the increase in the sales tax collections.

Major expense activities include police and fire safety expenses accounting for 39.36% of the total program expenses, and street and public property maintenance accounting for 17.24%. The City of Flowood is committed to providing the best services possible for its citizens.

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

Business-Type Activities

Operating revenues of the City's business-type activities were \$4,514,601 and \$3,758,307 for the fiscal years ended September 30, 2004 and 2003, respectively. Expenses for the City's business-type activities were \$4,464,650 and \$4,311,432, resulting in income of \$49,951 in 2004, and a loss of \$553,125 in 2003. The non-operating revenues (expenses), including transfers in, were \$2,295,326 for 2004, resulting in an increase in net assets of \$2,346,907. Key operating results are detailed below:

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2004

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

- The City's water and sewer enterprise fund recorded charges for services of \$3,736,399 which reflects a 23.58% increase from the prior year. The most significant expenses of the water and sewer enterprise fund were \$641,961 for salaries and benefits, \$435,833 for sewage treatment and \$903,385 in depreciation expense.
- The golf course enterprise fund's revenue increased from \$734,854 in 2003 to \$778,202 in 2004 (5.90% increase), while operating expenses, excluding depreciation, increased from \$703,605 to \$718,321 (2.09% increase).

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 2004, the City of Flowood amended its general fund budget twice. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Aldermen for review before being amended by the Board of Aldermen at a regular monthly Board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the general fund supporting many of our major activities, such as our police and fire departments as well as general government activities, the general fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the general fund, original budgeted revenues for fiscal year 2004 were \$8,313,250; final budget amounts were \$9,174,850; and actual revenue collections were \$9,367,319. The primary factor contributing to the increase of actual revenues over budgeted amounts was increased sales tax collections. General fund operating expenditures were \$8,291,287 compared to budgeted amounts of \$8,924,450.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2004, the City had over \$73 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, road, bridges, water and sewer lines, and the municipal golf course facility. (See **Table 3** below.)

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**Table 3
Capital Assets at September 30, 2004 and 2003
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 1,494,996	1,494,996	179,181	179,181	1,674,177	1,674,177
Land improvements	2,058,741	1,142,988	-	-	2,058,741	1,142,988
Buildings	6,454,933	6,565,856	-	-	6,454,933	6,565,856
Machinery and equipment	880,884	779,171	140,449	254,328	1,021,333	1,033,499
Infrastructure	25,630,759	22,170,767	-	-	25,630,759	22,170,767
Construction in progress	4,551,189	6,581,520	630,353	11,725,798	5,181,542	18,307,318
Water and sewer system	-	-	28,769,562	17,353,106	28,769,562	17,353,106
Golf course	-	-	<u>2,572,849</u>	<u>2,844,120</u>	<u>2,572,849</u>	<u>2,844,120</u>
Total	\$ <u>41,071,502</u>	<u>38,735,298</u>	<u>32,292,394</u>	<u>32,356,533</u>	<u>73,363,896</u>	<u>71,091,831</u>

This year's major additions included:

Recreational facilities	\$ 424,856
Infrastructure improvements	3,608,631
Public safety equipment	218,240

The majority of infrastructure asset additions added in 2004 resulted from the development of retail and commercial developments along the Lakeland Drive - Highway 25 corridor.

Debt

At September 30, 2004 and 2003 the City of Flowood had \$39,995,462 and \$34,328,597, respectively, in outstanding debt from General Obligation Bonds, Revenue Bonds, Special Assessment Bonds, Limited Obligation Bonds and Notes, State Grants, Capital Lease Payable and Accrued Vacation. **Table 4** summarized the total outstanding long-term obligations of the City.

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**Table 4
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 6,521,000	7,193,000	-	-	6,521,000	7,193,000
Special assessment bonds	205,000	315,000	-	-	205,000	315,000
Revenue bonds	-	-	11,645,000	11,955,000	11,645,000	11,955,000
Limited obligation bonds	11,463,000	4,466,000	-	-	11,463,000	4,466,000
Notes - Mississippi Development Bank	5,952,773	6,152,131	3,796,635	3,903,116	9,749,408	10,055,247
State grants	5,491	16,840	-	-	5,491	16,840
Capital leases payable	205,550	140,613	-	-	205,550	140,613
Compensated absences	<u>185,290</u>	<u>173,935</u>	<u>15,723</u>	<u>12,962</u>	<u>201,013</u>	<u>186,897</u>
Totals	\$ <u>24,538,104</u>	<u>18,457,519</u>	<u>15,457,358</u>	<u>15,871,078</u>	<u>39,995,462</u>	<u>34,328,597</u>

During the current fiscal year the City issued debt in the amount of \$14,040,908 for the following purposes:

Dogwood Promenade Project - TIF bonds	\$ 4,375,000
Lakeland Commons Project - TIF bonds	2,750,000
Street projects	147,668
Public safety equipment - capital lease	218,240
Refunding of two outstanding bond issues	<u>6,550,000</u>
	\$ <u>14,040,908</u>

The City paid \$8,388,158 in principal on outstanding debt during the year.

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

CITY OF FLOWOOD, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As is the case with many governmental agencies, dated infrastructure can be a problem; however, over the past 10 years, the City has taken a proactive stance in regard to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises.

Annually, the City's engineer inspects roadways and suggests the worst for repair. Over the past 10 years the City has expended an average of \$200,000 to \$300,000 annually on various roadway maintenance resurfacing projects. The 2004 roadway maintenance program is estimated at \$200,000. Additionally, over the past five years, the City has converted the last septic sanitary tank areas to sanitary sewer service. This development has been accomplished through the use of Federal EPA grant funding and a Mississippi Development Bank loan. The last 10 years have seen the construction of a new City Hall, Police & Justice Court Complex, new Fire Station, two new City Parks and a full service Municipal Library.

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

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

New development and expansion is also continuing at the Lakeland Drive and Old Fannin Road intersection. On the southeast side of this intersection in 2001 and 2002, the City's economic development

CITY OF FLOWOOD, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

programs were responsible for the construction of a \$32,000,000 redevelopment project known as the Dogwood Festival Market Life Style 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, is scheduled for completion in late 2004 and 2005 and developers have plans for another shopping center and hotel to be built on the Northwest corner, known as The Lakeland Commons.

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,149,344	2,020,602	11,169,946
Investments	132,210	107,156	239,366
Receivables (net, where appli- cable, of allowances for uncollectibles):			
Accounts	197,882	1,454,994	1,652,876
Taxes	638,143	-	638,143
Accrued interest	242	232	474
Special assessments:			
Current	3,385	4,382	7,767
Long-term	23,109	87,678	110,787
Other	-	-	-
Internal balances	1,289,841	(1,289,841)	-
Note receivable from property owner	557,089	-	557,089
Prepays	36,639	8,702	45,341
Restricted assets:			
Cash and cash equivalents	-	467,977	467,977
Investments	-	12,819	12,819
Due from other governments	8,312,465	-	8,312,465
Deferred debt expense (net of accumulated amortization)	869,665	801,599	1,671,264
Capital assets:			
Land	1,494,996	179,181	1,674,177
Buildings	6,932,734	-	6,932,734
Improvements other than buildings	2,489,354	-	2,489,354
Machinery and equipment	3,098,173	880,361	3,978,534
Water distribution systems	-	35,581,762	35,581,762
Golf course facilities	-	4,196,539	4,196,539
Infrastructure	63,740,305	-	63,740,305
Construction in progress	<u>4,288,782</u>	<u>630,353</u>	<u>4,919,135</u>
	82,044,344	41,468,196	123,512,540
Less accumulated depreciation	<u>(41,235,249)</u>	<u>(9,175,802)</u>	<u>(50,411,051)</u>
Total capital assets, net	<u>40,809,095</u>	<u>32,292,394</u>	<u>73,101,489</u>
 Total assets	\$ <u>62,019,109</u>	<u>35,968,694</u>	<u>97,987,803</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,994,487	213,917	2,208,404
Accrued liabilities	94,364	21,582	115,946
Accrued interest payable	510,074	337,637	847,711
Retainage payable	58,232	-	58,232
Customer deposits	-	205,516	205,516
Deferred revenue	81,295	-	81,295
Due to other governments	557,089	-	557,089
Noncurrent liabilities:			
Due within one year:			
Compensated absences	9,265	786	10,051
Loans and leases payable	262,391	118,432	380,823
Bonds payable	924,000	330,000	1,254,000
Claims payable	125,789	-	125,789
Due in more than one year:			
Compensated absences	176,025	14,937	190,962
Loans and leases payable	5,901,423	3,678,203	9,579,626
Bonds payable	<u>17,265,000</u>	<u>11,315,000</u>	<u>28,580,000</u>
Total liabilities	<u>27,959,434</u>	<u>16,236,010</u>	<u>44,195,444</u>
<u>NET ASSETS</u>			
Invested in capital assets (net of related debt)	16,456,281	16,850,759	33,307,040
Restricted for:			
Capital projects	(18,517)	-	(18,517)
Debt service	9,917,212	275,280	10,192,492
Unrestricted	<u>7,704,699</u>	<u>2,606,645</u>	<u>10,311,344</u>
 Total net assets	 \$ <u>34,059,675</u>	 <u>19,732,684</u>	 <u>53,792,359</u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contri- butions</u>	<u>Capital Grants and Contri- butions</u>
Governmental activities:				
General government	\$ 898,841	376,018	-	700,016
Public safety	4,431,166	1,048,496	9,070	12,101
Court	371,684	-	-	-
Public property maintenance	276,143	-	-	-
Sanitation	144,000	-	-	-
Health	60,171	-	-	-
Street maintenance	1,664,963	-	-	-
Recreation	467,973	-	-	-
Shop and maintenance	267,783	-	-	-
Community and economic development	1,806,762	-	-	-
Interest on long-term debt	<u>866,733</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>11,256,219</u>	<u>1,424,514</u>	<u>9,070</u>	<u>712,117</u>
Business-type activities:				
Golf course	1,278,434	778,202	-	-
Water and sewer	<u>3,186,216</u>	<u>3,736,399</u>	<u>-</u>	<u>1,318,334</u>
Total business-type activities	<u>4,464,650</u>	<u>4,514,601</u>	<u>-</u>	<u>1,318,334</u>
Total government	\$ <u>15,720,869</u>	<u>5,939,115</u>	<u>9,070</u>	<u>2,030,451</u>

General revenues:

- Taxes:
 - Ad valorem taxes
 - Special assessments
 - Sales tax
 - Utility in lieu of tax
 - Franchise fees
 - County road tax
- Interest and penalties on taxes
- General intergovernmental revenue
- Investment earnings
- Other
- Gain on sale of capital assets
- Transfers
- Total general revenues

Change in net assets

Net assets at beginning of year

Prior period adjustment

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Assets

<u>Governmental Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
177,193	-	177,193
(3,361,499)	-	(3,361,499)
(371,684)	-	(371,684)
(276,143)	-	(276,143)
(144,000)	-	(144,000)
(60,171)	-	(60,171)
(1,664,963)	-	(1,664,963)
(467,973)	-	(467,973)
(267,783)	-	(267,783)
(1,806,762)	-	(1,806,762)
<u>(866,733)</u>	<u>-</u>	<u>(866,733)</u>
<u>(9,110,518)</u>	<u>-</u>	<u>(9,110,518)</u>
-	(500,232)	(500,232)
<u>-</u>	<u>1,868,517</u>	<u>1,868,517</u>
-	1,368,285	1,368,285
<u>(9,110,518)</u>	<u>1,368,285</u>	<u>(7,742,233)</u>
2,531,700	-	2,531,700
108,443	-	108,443
5,786,790	-	5,786,790
295,128	-	295,128
262,033	-	262,033
460,366	-	460,366
11,178	-	11,178
9,577,422	-	9,577,422
123,599	34,241	157,840
194,277	-	194,277
1,423	-	1,423
<u>(942,751)</u>	<u>942,751</u>	<u>-</u>
<u>18,409,608</u>	<u>976,992</u>	<u>19,386,600</u>
9,299,090	2,345,277	11,644,367
27,053,863	17,387,407	44,441,270
<u>(2,293,278)</u>	<u>-</u>	<u>(2,293,278)</u>
<u>34,059,675</u>	<u>19,732,684</u>	<u>53,792,359</u>

CITY OF FLOWOOD, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,273,415	1,500,519	1,773,792
Investments	-	132,210	-
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	52,549	-	-
Taxes	539,007	77,625	21,511
Interest	-	242	-
Special assessments:			
Current	-	-	3,385
Deferred	-	-	23,109
Other	-	-	-
Due from other funds	3,089,435	227,775	225,062
Due from other governments	-	-	8,312,465
Prepaid expenses	36,639	-	-
Note receivable from property owner	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>5,991,045</u>	<u>1,938,371</u>	<u>10,359,324</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 374,907	-	-
Accrued liabilities	94,364	-	-
Retainage payable	-	-	-
Deferred revenue	81,044	-	8,335,574
Due to other funds	107,109	5,000	419,003
Due to other governments	-	-	-
Total liabilities	<u>657,424</u>	<u>5,000</u>	<u>8,754,577</u>
Fund balances:			
Reserved for:			
Capital projects	-	-	-
Debt service	-	-	1,604,747
Unreserved, undesignated in:			
General fund	5,333,621	-	-
Special revenue funds	<u>-</u>	<u>1,933,371</u>	<u>-</u>
Total fund balances	<u>5,333,621</u>	<u>1,933,371</u>	<u>1,604,747</u>
Total liabilities and fund balances	\$ <u>5,991,045</u>	<u>1,938,371</u>	<u>10,359,324</u>

The accompanying notes are an integral part of this statement.

<u>Bridge and Street Improvements</u>	<u>Dogwood Promenade Project</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
427,299	1,269,270	1,536,034	8,780,329
-	-	-	132,210
111,648		9,738	173,935
-	-	-	638,143
-	-	-	242
-	-	-	3,385
-	-	-	23,109
-	-	-	-
26,228		68,817	3,637,317
-	-	-	8,312,465
-	-	-	36,639
-	-	<u>557,089</u>	<u>557,089</u>
<u>565,175</u>	<u>1,269,270</u>	<u>2,171,678</u>	<u>22,294,863</u>
175,471	861,501	582,608	1,994,487
-	-	-	94,364
58,232	-	-	58,232
-	-	251	8,416,869
1,374,734	-	232,466	2,138,312
-	-	<u>557,089</u>	<u>557,089</u>
<u>1,608,437</u>	<u>861,501</u>	<u>1,372,414</u>	<u>13,259,353</u>
(1,043,262)	407,769	616,976	(18,517)
-	-	-	1,604,747
-	-	-	5,333,621
-	-	<u>182,288</u>	<u>2,115,659</u>
<u>(1,043,262)</u>	<u>407,769</u>	<u>799,264</u>	<u>9,035,510</u>
<u>565,175</u>	<u>1,269,270</u>	<u>2,171,678</u>	<u>22,294,863</u>

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

Total fund balances - governmental funds **\$ 9,035,510**

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

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

Governmental capital assets	82,044,344	
Less accumulated depreciation	<u>(41,235,249)</u>	40,809,095

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the Statement of Activities.

8,335,574

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

869,665

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

58,009

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

General obligation bonds	(6,521,000)	
Special assessment bonds	(205,000)	
Limited obligation bonds	(11,463,000)	
Notes	(5,952,773)	
State grants	(5,491)	
Capital lease obligations	(205,550)	
Accrued interest payable	(510,074)	
Compensated absences	<u>(185,290)</u>	<u>(25,048,178)</u>

Net assets of governmental activities **\$ 34,059,675**

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>General Fund</u>	<u>Recreation and Tourism Special Tax Fund</u>	<u>City-Wide Debt Service</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 1,547,566	-	958,430
Prior years ad valorem	17,158	-	8,546
Interest and penalties on taxes	11,178	-	-
Special assessments	-	-	135,884
Franchise fees	262,033	-	-
Licenses and permits	359,829	-	-
Intergovernmental	6,128,446	959,452	222,218
Charges for services	16,189	-	-
Fines and forfeits	886,278	-	-
Interest earned	17,034	6,972	89,167
Miscellaneous	<u>200,338</u>	<u>-</u>	<u>-</u>
Total revenues	<u>9,446,049</u>	<u>966,424</u>	<u>1,414,245</u>
EXPENDITURES:			
Current:			
General government	851,986	-	-
Public safety	4,610,802	-	-
Court	370,755	-	-
Public property maintenance	255,161	-	-
Sanitation	144,000	-	-
Health	60,171	-	-
Street maintenance	908,994	-	-
Recreation	408,776	-	-
Shop and maintenance	271,148	-	-
Capital projects	-	-	-
Debt service:			
Principal	153,304	-	1,485,970
Interest and other fiscal charges	<u>5,436</u>	<u>-</u>	<u>637,773</u>
Total expenditures	<u>8,040,533</u>	<u>-</u>	<u>2,123,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,405,516</u>	<u>966,424</u>	<u>(709,498)</u>
Other financing sources (uses):			
Operating transfers in	-	-	517,802
Operating transfers out	(517,802)	(312,400)	-
Capital lease issued	218,240	-	-
Payment to refund capital improvement - library	-	-	(3,639,525)
Payment of bond issue costs on refunding bonds	-	-	(146,885)
Payment of bond issue costs on capital loan	-	-	-
Proceeds from refunding bonds	-	-	3,841,538
Proceeds from capital improvement loan	-	-	-
Proceeds from tax increment financing bonds	<u>-</u>	<u>-</u>	<u>683,016</u>
Total other financing sources (uses)	<u>(299,562)</u>	<u>(312,400)</u>	<u>1,255,946</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,105,954	654,024	546,448
Fund balance at beginning of year	<u>4,227,667</u>	<u>1,279,347</u>	<u>1,058,299</u>
Fund balance at end of year	\$ <u>5,333,621</u>	<u>1,933,371</u>	<u>1,604,747</u>

The accompanying notes are an integral part of this statement.

<u>Bridge and Street Improvements</u>	<u>Dogwood Promenade Project</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
-	-	-	2,505,996
-	-	-	25,704
-	-	-	11,178
-	-	-	135,884
-	-	-	262,033
-	-	-	359,829
700,016	-	518,296	8,528,428
-	-	-	16,189
-	-	162,218	1,048,496
1,067	6,992	2,367	123,599
<u>5,909</u>	<u>-</u>	<u>-</u>	<u>206,247</u>
<u>706,992</u>	<u>6,992</u>	<u>682,881</u>	<u>13,223,583</u>
-	-	-	851,986
-	-	52,681	4,663,483
-	-	-	370,755
-	-	-	255,161
-	-	-	144,000
-	-	-	60,171
-	-	469,194	1,378,188
-	-	-	408,776
-	-	-	271,148
1,453,324	3,601,630	1,824,332	6,879,286
-	-	-	1,639,274
<u>-</u>	<u>-</u>	<u>-</u>	<u>643,209</u>
<u>1,453,324</u>	<u>3,601,630</u>	<u>2,346,207</u>	<u>17,565,437</u>
<u>(746,332)</u>	<u>(3,594,638)</u>	<u>(1,663,326)</u>	<u>(4,341,854)</u>
-	-	-	517,802
-	-	-	(830,202)
-	-	-	218,240
-	-	-	(3,639,525)
-	-	-	(146,885)
(158,500)	-	-	(158,500)
-	-	-	3,841,538
158,500	-	-	158,500
<u>-</u>	<u>4,002,407</u>	<u>2,439,577</u>	<u>7,125,000</u>
<u>-</u>	<u>4,002,407</u>	<u>2,439,577</u>	<u>7,085,968</u>
(746,332)	407,769	776,251	2,744,114
<u>(296,930)</u>	<u>-</u>	<u>23,013</u>	<u>6,291,396</u>
<u>(1,043,262)</u>	<u>407,769</u>	<u>799,264</u>	<u>9,035,510</u>

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Net change in fund balances - total governmental funds **\$ 2,744,114**

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	4,464,998	
Less current year depreciation expense	<u>(715,578)</u>	3,749,420

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (10,547)

Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years. (27,441)

Revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues. 8,312,465

Governmental funds report bond issuance costs as expenditures. However, these amounts are reported on the Statement of Net Assets as a deferred charge and amortized over the life of the debt. This is the amount by which current period bond issue costs exceed current period amortization. 673,600

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 5,274,048

Governmental funds report the issuance of debt as an other financing source. In the governmental activities, however, the issuance of debt is reflected as a liability instead. (11,343,278)

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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.		\$	262,645
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	(324,581)		
Change in long-term compensated absences	<u>(11,355)</u>		<u>(335,936)</u>
Change in net assets of governmental activities		\$	<u>9,299,090</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2004**

	Business-Type Activities - Enterprise Funds		Governmental Activities	
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	Internal Service Fund
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 1,902,550	114,584	2,017,134	372,483
Investments	107,156	-	107,156	-
Receivables (net of allowance for uncollectibles, where applicable):				
Accounts	1,430,774	24,220	1,454,994	23,947
Accrued interest	232	-	232	-
Special assessment	-	4,382	4,382	-
Prepaid expenses	8,702	-	8,702	-
Due from other funds	102,570	-	102,570	-
Total current assets	<u>3,551,984</u>	<u>143,186</u>	<u>3,695,170</u>	<u>396,430</u>
Restricted assets:				
Customer deposits	205,516	-	205,516	-
Revenue bond future debt service account	12,819	151,447	164,266	-
Principal reserve escrow account	111,014	-	111,014	-
Total restricted assets	<u>329,349</u>	<u>151,447</u>	<u>480,796</u>	<u>-</u>
Other assets:				
Deferred debt expense (net of accumulated amortization)	331,924	469,675	801,599	-
Special assessment receivable	-	87,678	87,678	-
Total other assets	<u>331,924</u>	<u>557,353</u>	<u>889,277</u>	<u>-</u>
Property, plant and equipment:				
Land	179,181	-	179,181	-
Machinery and equipment	880,361	-	880,361	-
Water distribution system	35,581,762	-	35,581,762	-
Golf course facilities	-	4,196,539	4,196,539	-
	<u>36,641,304</u>	<u>4,196,539</u>	<u>40,837,843</u>	<u>-</u>
Less accumulated depreciation	(7,552,112)	(1,623,690)	(9,175,802)	-
	29,089,192	2,572,849	31,662,041	-
Construction in progress	630,353	-	630,353	-
Net property, plant and equipment	<u>29,719,545</u>	<u>2,572,849</u>	<u>32,292,394</u>	<u>-</u>
Total assets	\$ <u>33,932,802</u>	<u>3,424,835</u>	<u>37,357,637</u>	<u>396,430</u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF NET ASSETS - CONTINUED:
 PROPRIETARY FUND
 SEPTEMBER 30, 2004**

	Business-Type Activities - Enterprise Funds		Governmental Activities	
	Water and Sewer Enterprise Fund	Golf Course Enterprise Fund	Totals	Internal Service Fund
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 173,624	40,293	213,917	-
Accrued interest payable	229,163	108,474	337,637	-
Accrued compensated absences	786	-	786	-
Accrued liabilities	-	21,582	21,582	125,789
Due to other funds	1,092,143	300,268	1,392,411	209,164
Notes payable - current	118,432	-	118,432	-
Revenue bonds payable - current	<u>215,000</u>	<u>115,000</u>	<u>330,000</u>	<u>-</u>
Total current liabilities	<u>1,829,148</u>	<u>585,617</u>	<u>2,414,765</u>	<u>334,953</u>
Current liabilities payable from restricted assets:				
Customer deposits	<u>205,516</u>	<u>-</u>	<u>205,516</u>	<u>-</u>
Long-term liabilities:				
Compensated absences	14,937	-	14,937	-
Notes payable - net of current portion	3,678,203	-	3,678,203	-
Revenue bonds - net of current portion	<u>6,905,000</u>	<u>4,410,000</u>	<u>11,315,000</u>	<u>-</u>
Total long-term liabilities	<u>10,598,140</u>	<u>4,410,000</u>	<u>15,008,140</u>	<u>-</u>
Total liabilities	<u>12,632,804</u>	<u>4,995,617</u>	<u>17,628,421</u>	<u>334,953</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	18,802,910	(1,952,151)	16,850,759	-
Restricted for debt service	123,833	151,447	275,280	-
Unrestricted	<u>2,373,255</u>	<u>229,922</u>	<u>2,603,177</u>	<u>61,477</u>
Total net assets	\$ <u>21,299,998</u>	(<u>1,570,782</u>)	19,729,216	<u>61,477</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>3,468</u>	
Net assets of business-type activities			\$ <u>19,732,684</u>	

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
OPERATING REVENUES:				
Water sales	\$ 1,410,565	-	1,410,565	-
Sewer charges	1,912,132	-	1,912,132	-
Tap fees and connection fees	385,501	-	385,501	-
Late fees	28,201	-	28,201	-
Health and dental contribu- tions	-	-	-	801,202
Golf course revenue	-	<u>778,202</u>	<u>778,202</u>	-
Total operating revenues	<u>3,736,399</u>	<u>778,202</u>	<u>4,514,601</u>	<u>801,202</u>
OPERATING EXPENSES:				
Personal services	636,682	-	636,682	-
Supplies	204,474	-	204,474	-
Other services and charges	1,044,813	-	1,044,813	-
Depreciation	903,385	271,271	1,174,656	-
Claims expense	-	-	-	511,341
Golf course expenses	-	<u>718,321</u>	<u>718,321</u>	-
Total operating expenses	<u>2,789,354</u>	<u>989,592</u>	<u>3,778,946</u>	<u>511,341</u>
OPERATING INCOME (LOSS)	<u>947,045</u>	<u>(211,390)</u>	<u>735,655</u>	<u>289,861</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	29,994	4,247	34,241	1,127
Bond interest and fiscal charges	(425,205)	(261,016)	(686,221)	-
Amortization of bond issue cost	-	(27,826)	(27,826)	-
Operating transfers in (out)	-	<u>312,400</u>	<u>312,400</u>	-
Total non-operating expenses	<u>(395,211)</u>	<u>27,805</u>	<u>(367,406)</u>	<u>1,127</u>
INCOME BEFORE CONTRIBUTIONS	551,834	(183,585)	368,249	290,988
Capital contributions	<u>1,948,685</u>	-	<u>1,948,685</u>	-
CHANGE IN NET ASSETS	2,500,519	(183,585)	2,316,934	290,988
NET ASSETS AT BEGINNING OF YEAR	<u>18,799,479</u>	<u>(1,387,197)</u>	<u>17,412,282</u>	<u>(229,511)</u>
NET ASSETS AT END OF YEAR	\$ <u>21,299,998</u>	<u>(1,570,782)</u>	<u>19,729,216</u>	<u>61,477</u>
Net change in net assets - total proprietary funds			\$ 2,316,934	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			<u>28,343</u>	
Net change in net assets of business-type activities			\$ <u>2,345,277</u>	

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 3,641,295	784,010	4,425,305	-
Health and dental contributions received	-	-	-	801,202
Cash paid to suppliers and employees	(1,934,652)	(693,757)	(2,628,409)	(430,765)
Net cash provided by operating activities	<u>1,706,643</u>	<u>90,253</u>	<u>1,796,896</u>	<u>370,437</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfer in	-	312,400	312,400	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>312,400</u>	<u>312,400</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds and notes	2,607,228	-	2,607,228	-
Proceeds from special assessment receivable	-	6,543	6,543	-
Principal paid on bonds and notes	(3,020,079)	(105,000)	(3,125,079)	-
Increase (decrease) in amount due to other funds	62,926	(113,880)	(50,954)	-
Interest paid on bonds and notes	(304,202)	(264,406)	(568,608)	-
Acquisition of fixed assets	(1,110,516)	-	(1,110,516)	-
Decrease in advances to capital projects for construction	627,730	-	627,730	-
Capital contributions	<u>888,023</u>	<u>-</u>	<u>888,023</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(248,890)</u>	<u>(476,743)</u>	<u>(725,633)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale (purchases) of investments - net	1,210	-	1,210	-
Earnings on invested proceeds	<u>29,936</u>	<u>4,247</u>	<u>34,183</u>	<u>1,127</u>
Net cash provided by investing activities	<u>31,146</u>	<u>4,247</u>	<u>35,393</u>	<u>1,127</u>
Net increase (decrease) in cash	1,488,899	(69,843)	1,419,056	371,564
Cash and cash equivalents - beginning of year (including \$353,662 in restricted accounts)	<u>730,181</u>	<u>335,874</u>	<u>1,066,055</u>	<u>919</u>
Cash and cash equivalents - end of year (including \$467,978 in restricted accounts)	\$ <u>2,219,080</u>	<u>266,031</u>	<u>2,485,111</u>	<u>372,483</u>

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ <u>947,045</u>	(211,390)	<u>735,655</u>	<u>289,861</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	903,385	271,271	1,174,656	-
(Increase) decrease in:				
Accounts receivable	(115,196)	5,808	(109,388)	103,080
Prepaid expenses	(8,702)	-	(8,702)	-
Increase (decrease) in:				
Accounts payable	(37,126)	24,564	(12,562)	-
Accrued liabilities	(2,855)	-	(2,855)	51,496
Due to other funds	-	-	-	(74,000)
Customer deposits	<u>20,092</u>	<u>-</u>	<u>20,092</u>	<u>-</u>
Total adjustments	<u>759,598</u>	<u>301,643</u>	<u>1,061,241</u>	<u>80,576</u>
Net cash provided by operating activities	\$ <u>1,706,643</u>	<u>90,253</u>	<u>1,796,896</u>	<u>370,437</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2004**

	<u>Agency Funds</u>		
	<u>Airport Parkway Commission Fund</u>	<u>East Metro Corridor Commission Fund</u>	<u>Totals</u>
ASSETS:			
Cash and cash equivalents	\$ 294,468	66	294,534
Receivable - intergovernmental	<u>203,396</u>	<u>13,060</u>	<u>216,456</u>
Total assets	\$ <u>497,864</u>	<u>13,126</u>	<u>510,990</u>
LIABILITIES:			
Accounts payable	\$ 203,396	13,060	216,456
Escrow deposits	<u>10</u>	<u>150</u>	<u>160</u>
Total liabilities	\$ <u>203,406</u>	<u>13,210</u>	<u>216,616</u>
FUND BALANCE:			
Reserved for construction cost	\$ <u>294,458</u>	<u>(84)</u>	<u>294,374</u>
Total liabilities and equity	\$ <u>497,864</u>	<u>13,126</u>	<u>510,990</u>

The accompanying notes are an integral part of this statement.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Individual Component Unit Disclosures

Blended Component Units

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

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

B. Government-Wide and Fund Financial Statements

Basic financial statements consist of the following:

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

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

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.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

The **Dogwood Promenade Project** is used to account for financial resources received through a Tax Increment Financing Bond to be used for construction of infrastructure and water and sewer improvements at Dogwood Promenade.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

D. Budgets and Budgetary Accounting

The Mayor and Board of Aldermen annually approve the budget ordinance for the general 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 a generally accepted accounting principal. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets are amended by

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

resolution of the Board of Aldermen to authorize expenditures of various grants received and to adjust department budgets as required. The reported budgetary data has been revised for amendments authorized by the governing board.

E. Capital Assets

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

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

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

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

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

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

F. Compensated Absences

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. Vacation days earned are to be used by the end of the calendar year. An accrual of \$201,013 has been made in the Statement of Net Assets for vacation time available at September 30, 2004 that can be taken by December 31, 2004. No liability is recorded for nonvesting accumulating rights to receive sick pay.

G. Capitalization of Interest

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

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

I. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but are not yet earned.

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

J. Reclassification

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

NOTE 2 - PROPERTY TAX

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own public utility taxes. Real, personal property and automobile ad valorem taxes and certain road taxes are collected by the tax collector of Rankin County and are disbursed to the City accordingly. Current collections of real, public utility, and personal property taxes for the year ended September 30, 2004, were approximately 97.8% of the total tax levy.

The tax rate levied by the City for 2004 was set at 20.60 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ 1.375
G. O. Public Improvement	.100
G. O. Road Improvement	.250
G. O. Refunding Bonds	<u>.335</u>
	\$ <u>2.060</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2004:

	Cash and Cash <u>Equivalents</u>	Investments	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 2,273,415	-	-	-	2,273,415
Recreation and Tourism special tax fund	1,500,519	132,210	-	-	1,632,729
City-wide debt service Bridge and street improvements	1,773,792	-	-	-	1,773,792
Dogwood Promenade Project	427,299	-	-	-	427,299
Nonmajor governmental funds	1,269,270	-	-	-	1,269,270
Internal service fund	1,536,034	-	-	-	1,536,034
Total governmental activities	<u>369,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,015</u>
	<u>9,149,344</u>	<u>132,210</u>	<u>-</u>	<u>-</u>	<u>9,281,554</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Business-type activities:					
Water and sewer fund	\$ 1,902,550	107,156	316,530	12,819	2,339,055
Golf course fund	114,584	-	151,447	-	266,031
Internal service fund	<u>3,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,468</u>
Total business- type activities	<u>2,020,602</u>	<u>107,156</u>	<u>467,977</u>	<u>12,819</u>	<u>2,608,554</u>
Government-wide total	11,169,946	239,366	467,977	12,819	11,890,108
Fiduciary fund	<u>294,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,534</u>
Total cash and investments	\$ <u>11,464,480</u>	<u>239,366</u>	<u>467,977</u>	<u>12,819</u>	<u>12,184,642</u>

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

Category 1

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

Category 2

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

Category 3

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

At September 30, 2004, the carrying amount of the City's deposits was \$11,932,457 and the bank balance was \$12,225,080. The difference of \$292,623 was principally due to outstanding checks. The carrying amount included \$11,932,129 in demand deposit accounts and \$328 in petty cash. Of the bank balance, \$122,082 was covered by Federal Depository Insurance and \$12,102,998 was collateralized by pledged securities held by the pledging financial institution's agent in the City's name (category 2).

NOTE 4 - RECEIVABLES

Receivables at September 30, 2004 for the City's individual major funds, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	General Funds	Recrea- tion and Tourism Special Tax Fund	City-Wide Debt Service	Bridge and Street Improve- ments	Water and Sewer Funds	Golf Course Fund	Nonmajor Govern- mental Funds	Total
Receivables:								
Accounts	\$ 76,496	-	-	-	370,112	24,220	-	470,828
Taxes	539,007	77,625	21,511	-	-	-	-	638,143
Other	-	-	26,494	-	-	92,060	-	118,554
Accrued interest	-	242	-	-	232	-	-	474
Grants	-	-	-	<u>111,648</u>	<u>1,060,662</u>	-	<u>9,738</u>	<u>1,182,048</u>
Gross receiv- ables	615,503	77,867	48,005	111,648	1,431,006	116,280	9,738	2,410,047
Less: allow- ance for uncollec- tible ac- counts	-	-	-	-	-	-	-	-
Net total re- ceivables	\$ <u>615,503</u>	<u>77,867</u>	<u>48,005</u>	<u>111,648</u>	<u>1,431,006</u>	<u>116,280</u>	<u>9,738</u>	<u>2,410,047</u>

NOTE 5 - NOTE RECEIVABLE FROM PROPERTY OWNER

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

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 5 - NOTE RECEIVABLE FROM PROPERTY OWNER - CONTINUED:

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

NOTE 6 - CAPITAL ASSETS

As described in Note 11, an adjustment was made to the beginning balances of the capital assets of the governmental activities to correct differences that existed in the amounts reported as of September 30, 2003. The prior period adjustment was made to the capital asset accounts as follows:

	Balance at September 30, 2003 as Originally <u>Reported</u>	Prior Period Adjustment	Balance at September 30, 2003 <u>as Adjusted</u>
Governmental activities:			
Nondepreciable assets:			
Land	\$ 1,494,996	-	1,494,996
Construction in progress	<u>6,581,520</u>	<u>(1,729,978)</u>	<u>4,851,542</u>
Total	<u>8,076,516</u>	<u>(1,729,978)</u>	<u>6,346,538</u>
Depreciable assets:			
Buildings	6,932,734	-	6,932,734
Improvements other than buildings	1,503,622	-	1,503,622
Machinery and equipment	2,656,959	182,822	2,839,781
Infrastructure	<u>59,983,511</u>	<u>-</u>	<u>59,983,511</u>
Total	<u>71,076,826</u>	<u>182,822</u>	<u>71,259,648</u>
Total capital assets	<u>79,153,342</u>	<u>(1,547,156)</u>	<u>77,606,186</u>
Less accumulated depreciation for:			
Buildings	(366,877)	-	(366,877)
Improvements other than buildings	(360,634)	-	(360,634)
Machinery and equipment	(1,877,788)	(117,920)	(1,995,708)
Infrastructure	<u>(37,812,745)</u>	<u>-</u>	<u>(37,812,745)</u>
Total accumulated depreciation	<u>(40,418,044)</u>	<u>(117,920)</u>	<u>(40,535,964)</u>
Total governmental activities capital assets, net	\$ <u>38,735,298</u>	<u>(1,665,076)</u>	<u>37,070,222</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

Capital asset activities for the year ended September 30, 2004, were as follows:

	Balance at October 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2004</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 1,494,996	-	-	1,494,996
Construction in progress	<u>4,851,542</u>	<u>3,790,615</u>	<u>(4,353,375)</u>	<u>4,288,782</u>
Total	<u>6,346,538</u>	<u>3,790,615</u>	<u>(4,353,375)</u>	<u>5,783,778</u>
Depreciable assets:				
Buildings	6,932,734	-	-	6,932,734
Improvements other than buildings	1,503,622	985,732	-	2,489,354
Machinery and equipment	2,839,781	285,232	(26,840)	3,098,173
Infrastructure	<u>59,983,511</u>	<u>3,756,794</u>	<u>-</u>	<u>63,740,305</u>
Total	<u>71,259,648</u>	<u>5,027,758</u>	<u>(26,840)</u>	<u>76,260,566</u>
Total capital assets	<u>77,606,186</u>	<u>8,818,373</u>	<u>(4,380,215)</u>	<u>82,044,344</u>
Less accumulated depreciation for:				
Buildings	(366,877)	(110,924)	-	(477,801)
Improvements other than buildings	(360,634)	(69,979)	-	(430,613)
Machinery and equipment	(1,995,708)	(237,875)	16,294	(2,217,289)
Infrastructure	<u>(37,812,745)</u>	<u>(296,801)</u>	<u>-</u>	<u>(38,109,546)</u>
Total accumulated depreciation	<u>(40,535,964)</u>	<u>(715,579)</u>	<u>16,294</u>	<u>(41,235,249)</u>
Total governmental activities - capital assets, net	\$ <u>37,070,222</u>	<u>8,102,794</u>	<u>(4,363,921)</u>	<u>40,809,095</u>

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

General government	\$ 111,262
Public safety	168,507
Public property maintenance	26,830
Street maintenance	328,048
Recreation	79,409
Shop and maintenance	<u>1,523</u>
Total depreciation expense - governmental activities	\$ <u>715,579</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

	<u>Balance at October 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2004</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 179,181	-	-	179,181
Construction in progress	<u>11,725,798</u>	<u>834,789</u>	<u>(11,930,234)</u>	<u>630,353</u>
Total	<u>11,904,979</u>	<u>834,789</u>	<u>(11,930,234)</u>	<u>809,534</u>
Depreciable assets:				
Machinery and equipment	862,929	17,432	-	880,361
Water distribution systems	23,393,233	12,188,529	-	35,581,762
Golf course facilities	<u>4,196,539</u>	<u>-</u>	<u>-</u>	<u>4,196,539</u>
Total	<u>28,452,701</u>	<u>12,205,961</u>	<u>-</u>	<u>40,658,662</u>
Total capital assets	<u>40,357,680</u>	<u>13,040,750</u>	<u>(11,930,234)</u>	<u>41,468,196</u>
Less accumulated depreciation for:				
Machinery and equipment	(608,601)	(131,311)	-	(739,912)
Water distribution systems	(6,040,127)	(772,073)	-	(6,812,200)
Golf course facilities	<u>(1,352,419)</u>	<u>(271,271)</u>	<u>-</u>	<u>(1,623,690)</u>
Total accumulated depreciation	<u>(8,001,147)</u>	<u>(1,174,655)</u>	<u>-</u>	<u>(9,175,802)</u>
Total business-type activities capital assets, net	\$ <u>32,356,533</u>	<u>11,866,095</u>	<u>(11,930,234)</u>	<u>32,292,394</u>

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

Golf course	\$ 271,271
Water and sewer	<u>903,384</u>
 Total depreciation expense - business-type activities	 \$ <u>1,174,655</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 7 - CAPITAL LEASE OBLIGATIONS

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

The vehicles acquired through the capital leases are as follows as of September 30, 2004:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 650,062
Less accumulated depreciation	<u>401,117</u>
Total	\$ <u>248,945</u>

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at September 30, 2004:

	<u>Governmental Activities</u>
Fiscal year ending September 30:	
2005	\$ 137,837
2006	<u>75,887</u>
Total	213,724
Less amount representing interest	<u>(8,174)</u>
Present value of net minimum lease payments	\$ <u>205,550</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, 2004:

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

	Beginning Balance October 1, 2003	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,193,000	-	672,000	6,521,000	689,000
Special assessment bonds	315,000	-	110,000	205,000	125,000
Limited obligation bonds	4,466,000	7,125,000	128,000	11,463,000	110,000
Notes	6,152,131	3,989,069	4,188,427	5,952,773	124,976
State grants	16,840	-	11,349	5,491	5,491
Capital lease obligations	140,613	218,240	153,303	205,550	131,924
Compensated absences	173,935	11,355	-	185,290	9,265
Governmental activities total	<u>18,457,519</u>	<u>11,343,664</u>	<u>5,263,079</u>	<u>24,538,104</u>	<u>1,195,656</u>
Business-type activities:					
Revenue bonds	11,955,000	-	310,000	11,645,000	330,000
Notes	3,903,116	2,708,598	2,815,079	3,796,635	118,432
Compensated absences	12,962	2,761	-	15,723	786
Business-type activities total	<u>15,871,078</u>	<u>2,711,359</u>	<u>3,125,079</u>	<u>15,457,358</u>	<u>449,218</u>
Government-wide total	\$ <u>34,328,597</u>	<u>14,055,023</u>	<u>8,388,158</u>	<u>39,995,462</u>	<u>1,644,874</u>

Debt service requirements at September 30, 2004 were as follows:

Fiscal Year Ended September 30, 2004	<u>Governmental Activities</u>							
	<u>General Obligation Bonds</u>		<u>Special Assessment and Limited Obligation Bonds</u>		<u>Capital Leases, Notes Payable and State Grants</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 689,000	255,770	235,000	688,479	262,392	303,649	1,186,392	1,247,898
2006	653,000	227,554	248,000	661,726	199,183	217,475	1,100,183	1,106,755
2007	667,000	200,406	340,000	642,071	269,850	207,787	1,276,850	1,050,264
2008	578,000	174,875	386,000	622,770	276,348	196,727	1,240,348	994,372
2009	502,000	151,052	425,000	601,005	282,873	187,064	1,209,873	939,121
2010-2014	2,077,000	519,066	2,403,000	2,634,874	1,460,485	778,914	5,940,485	3,932,854
2015-2019	1,355,000	144,876	2,971,000	1,995,795	1,635,850	507,956	5,961,850	2,648,627
2020-2024	-	-	3,510,000	1,097,410	1,776,833	179,622	5,286,833	1,277,032
Thereafter	-	-	1,150,000	186,716	-	-	1,150,000	186,716
	\$ <u>6,521,000</u>	<u>1,673,599</u>	<u>11,668,000</u>	<u>9,130,846</u>	<u>6,163,814</u>	<u>2,579,194</u>	<u>24,352,814</u>	<u>13,383,639</u>

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Fiscal Year Ended September 30, 2004	<u>Business-Type Activities</u>					
	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 330,000	610,388	118,432	205,483	448,432	815,871
2006	350,000	587,091	122,889	145,525	472,889	732,616
2007	370,000	562,224	228,829	138,368	598,829	700,592
2008	395,000	535,921	237,762	128,400	632,762	664,321
2009	420,000	509,916	246,877	119,443	666,877	629,359
2010-2014	2,485,000	2,193,278	1,080,224	455,752	3,565,224	2,649,030
2015-2019	3,265,000	1,505,272	785,700	291,013	4,050,700	1,796,285
2020-2024	3,675,000	585,867	975,922	111,074	4,650,922	696,941
Thereafter	355,000	10,205	-	-	355,000	10,205
	\$ <u>11,645,000</u>	<u>7,100,162</u>	<u>3,796,635</u>	<u>1,595,058</u>	<u>15,441,635</u>	<u>8,695,220</u>

Bonds and notes payable at September 30, 2004 are comprised of the following individual issues:

General Obligation Bonds:

\$865,000 1988 Public Improvement Bonds due in annual installments of \$20,000 to \$85,000 payable on 4-15 of each year through 4-15-2008; and interest at 7.70% to 8.5% payable on 4-15 and 10-15 of each year. \$ 295,000

\$4,461,000 2002 Refunding Bonds due in annual installments of \$190,000 to \$494,000 payable on 3-1 of each year through 3-1-2015; and interest at 3.75% to 5.00% payable on 3-1 and 9-1 of each year. 3,506,000

\$3,250,000 1999 Roadway Improvement Bonds due in annual installments of \$95,000 to \$250,000 payable on 1-1 of each year through 1-1-2019; and interest at 4.25% to 4.75% payable on 1-1 and 7-1 of each year. 2,720,000

\$ 6,521,000

Revenue Bonds:

\$4,725,000 Mississippi Development Bank Special Obligation Bonds, Series 1999, due in annual installments beginning 11-1-2002 with the annual principal payments increasing to a final payment of \$355,000 due 11-1-2024; and interest at 5.00% to 7.75% is payable on 5-1 and 11-1 of each year. \$ 4,525,000

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Revenue Bonds - continued:

In November 1999 the City issued the Mississippi Development Bank Special Obligation Bonds, Series 1999, to advance refund and defease the outstanding 1997 Golf Course Urban Renewal Bonds in the amount of \$4,600,000. The difference between the reacquisition price and the net carrying amount of the proprietary refunded debt in the amount of \$414,954 has been capitalized and is to be amortized over the term of the refunded debt using a method that approximates the effective interest method (see Note (13) for additional information).

\$8,200,000 1998 Combined Water and Sewer System Revenue Bonds due in annual installments of \$160,000 beginning 6-01-99 with the annual principal payments increasing to a final payment of \$590,000 due 6-1-2023; and interest at 5.50% payable on 6-1 and 12-1 of each year.	\$ <u>7,120,000</u>
	\$ <u>11,645,000</u>

Special Assessment Bonds:

\$500,000 1985 Special Tax Fire Protection Bonds due in annual installments of \$10,000 to \$50,000, payable on 10-1 of each year through 10-1-2004; and interest at 10.25% to 11.00% payable on 4-1 and 10-1 of each year.	\$ 50,000
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\$750,000 1986 Special Improvement Pollution Abatement Bonds due in annual installments of \$10,000 to \$80,000, payable on 8-15 of each year through 8-15-2006; and interest at 8.00% to 10.125% payable on 2-15 and 8-15 of each year.	<u>155,000</u> \$ <u>205,000</u>
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Limited Obligation Bonds:

\$132,000 1995 Tax Increment Limited Obligation Bonds due in annual installments of \$6,000 to \$12,000; and interest at 6.00% payable on 4-1 of each year through April 2010.	\$ 65,000
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CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds - continued:

\$112,000 1999 Tax Increment Financing Bonds due in annual installments of \$6,000 to \$14,000; and interest at 7.125% payable on 4-1 of each year through April 2011.	\$ 77,000
\$325,000 2001 Tax Increment Financing Bond due in annual installments of \$7,000 to \$31,000 payable on 4-1-2002 through 4-1-2016; and interest at 5.625% payable on 10-1 and 4-1 of each year beginning with 4-1-2002 and ending with 4-1-2016.	286,000
\$4,005,000 2001 Tax Increment Financing Bond due in annual installments of \$55,000 to \$320,000 payable 4-1-2004 through 4-1-2023; and interest varying annually from 4.85% to 6.40% payable on 10-1 and 4-1 of each year beginning with 10-1-2001 and ending with 4-1-2023. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an inter-local cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually.	3,910,000
\$4,375,000 2004 Tax Increment Financing Bond due in annual installments of \$90,000 to \$350,000 payable 11-1-2004 through 11-1-2023; and interest varying annually from 4.85% to 6.40% payable on 5-1 and 11-1 of each year beginning with 11-1-2004 and ending with 11-1-2026. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an inter-local cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually.	4,375,000

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Limited Obligation Bonds - continued:

\$2,750,000 2004 Tax Increment Financing Bond due in annual installments of \$75,000 to \$245,000 payable 5-1-2007 through 5-1-2026; and interest varying annually from 4.85% to 6.40% payable on 5-1 and 11-1 of each year beginning with 5-1-2007 and ending with 5-1-2026. The bonds are to be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. In accordance with an inter-local cooperation agreement between the City and Rankin County, Mississippi, the County has pledged its ad valorem tax collections on benefiting property up to 25.20 mills annually.

\$ 2,750,000

\$ 11,463,000

Notes:

\$6,550,000 Mississippi Development Bank Special Obligation Bonds, Refunding Project Series 2003. The funds were used to refund Mississippi Development Bank Special Obligation Bonds Series 1999A and 2001A used to construct the City's library facility (\$4,500,000 original amount) and to fund improvements to the City's sewage system (\$2,700,000 original amount). The bonds are payable in annual installments of \$245,000 to \$515,000 on 10-1 of each year for the years 10-1-2006 through 10-1-2023; and interest at 2.45% to 5.00% payable on 4-1 and 4-1 of each year. The outstanding bonds are being funded as follows at September 30, 2004:

General Fund	\$ 3,841,402	
Water & Sewer Enterprise Fund	<u>2,708,598</u>	
	\$ <u>6,550,000</u>	\$ 6,550,000

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

622,850

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Notes - continued:

Note payable to the Mississippi Development Bank on a \$7,000,000 loan funded from proceeds of Special Obligation Bonds, Series 1999A. The funds are being expended on various municipal capital projects primarily for the acquisition of land to be used for the construction of ball fields and street improvement projects. The note is due in monthly installments over a 20-year period ending in 2023. Interest is at a variable rate based on the TBMA Municipal Swap Index (1.69% at 9-30-04).	\$ 1,874,988
Note payable to the Mississippi Development Bank on a \$3,000,000 loan funded from proceeds of Special Obligation Bonds, Series 1999A. The funds are being expended on various municipal capital projects primarily for the construction of ball fields and street improvement projects. The note is due in monthly installments over a 20-year period ending in 2023. Interest is at a variable rate based on the TBMA Municipal Swap Index (1.69% at 9-30-04).	82,417
Note payable to the Mississippi Development Bank on a \$3,000,000 loan funded from proceeds of Special Obligation Bonds, Series 2001. The funds are being expended on various municipal capital projects primarily for street improvement projects. The note is due in monthly installments over a 10-year period ending in 2013. Interest is at a variable rate based on the TBMA Municipal Swap Index (1.69% at 9-30-04).	65,250
Note payable to the Mississippi Department of Economic and Community Development (DECD) under DECD's Capital Improvements Loan Program. The note is due in monthly installments starting in July 1997 through June 2012 with interest at 3.70%. The note is to be paid by the City's Water and Sewer Enterprise Fund.	465,187

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Notes - continued:

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

\$ 88,716

\$ 9,749,408

State Grants:

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

\$ 3,770

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

1,721

\$ 5,491

Capital leases:

\$218,240 Capital lease obligation to First Continental Leasing on the purchase of nine police vehicles, due January each year in annual installments of \$70,544 and \$72,725 including interest at 3.09% through January 2006.

\$ 143,269

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

20,485

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED:

Capital leases - continued:

\$249,000 Capital lease obligation to AmSouth National Bank on the purchase of a fire truck, due in monthly installments of \$3,515 beginning November 1998 and ending October 2005 with interest at 4.960%.	\$ <u>41,796</u>
	\$ <u>205,550</u>

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

No-Commitment Debt

The long-term debt of the City at September 30, 2004 does not include the outstanding balance of Urban Renewal Revenue Bonds issued pursuant to Sections 43-35-1 through 43-35-37 of the Mississippi Code of 1972, as amended. Urban Renewal Bonds have been issued to provide financing for the construction of multifamily housing and an office building.

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

No-Commitment Debt - continued:

At September 30, 2004, the City has \$321,686 of Urban Renewal Bonds outstanding as follows:

	<u>Urban Renewal Bonds</u>
Balance outstanding - September 30, 2003	\$ 495,035
Additions	-
Retirements	<u>173,349</u>
Balance outstanding - September 30, 2004	\$ <u>321,686</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

The following tables summarize interfund advances from/to, and transfers in/out at September 30, 2004:

Advances

Advances to/from other funds at September 30, 2004 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Recreational and Tourism Special Tax Fund	\$ 5,000
	City-Wide Debt Service	392,298
	Bridge and Street Improvements	1,272,165
	Water and Sewer Enterprise Fund	974,556
	Golf Course Enterprise Fund	72,594
	Internal Service Fund	209,164
	Nonmajor governmental funds	<u>163,658</u>
Total General Fund		3,089,435
Recreational and Tourism Special Tax Fund	Golf Course Enterprise Fund City-Wide Debt Service Bridge and Street Improvements	227,675 100 376
City-Wide Debt Service	General Fund Water and Sewer Enterprise Fund	107,109 117,577
Bridge and Street Improvements	City-Wide Debt Service	26,228
Water and Sewer Enterprise Fund	Bridge and Street Improvements	102,570
Nonmajor Governmental Fund	General Fund	<u>68,817</u>
		\$ <u>3,739,887</u>

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

Transfers

Operating transfer in/out from other funds at September 30, 2004 are as follows:

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES - CONTINUED:

Transfers - continued:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
City-Wide Debt Service	General Fund	\$ 517,802
Golf Course Enterprise Fund	Recreational and Tourism Special Tax Fund	\$ <u>312,400</u>
		\$ <u>830,202</u>

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

NOTE 10 - CONTINGENT LIABILITIES

Grant Audits

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

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments have been made in the financial statements, which are reported as an adjustment to beginning fund balances or net assets:

Adjustments to fund balances of governmental funds in the fund financial statement:

Hogg Creek Wastewater Facility Fund:	
To correct duplication of assets and liabilities reported in the Water and Sewer Fund	\$ <u>(628,202)</u>
Total decrease in fund balance	<u>(628,202)</u>

CITY OF FLOWOOD, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 11 - PRIOR PERIOD ADJUSTMENTS - CONTINUED:

Adjustments to net assets of governmental activities in the government-wide financial statements:

Decrease the capital assets of governmental activities to correct differences in the carrying value of assets at the end of the prior year	\$(1,665,076)
To correct duplication of net assets reported in the Water and Sewer Fund	<u>(628,202)</u>
Net decrease in net assets of governmental activities	\$(<u>2,293,278</u>)

NOTE 12 - DEFINED BENEFIT PENSION PLAN

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

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

Annual Pension Cost: For fiscal year 2004, the City's annual pension cost of \$451,066 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the 2004 actuarial valuations. The valuation method used amortized unfunded employer liabilities over a closed 30-year period from September 30, 1990 as a level percent of each municipality's assessed property valuation. The actuarial assumptions included: (a) 8.00% investment rate of return (net of investment expenses), (b) 6.00% annual salary increases, and (c) 3.75% per year cost of living adjustments. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period (smoothed market value).

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Three-Year Trend Information for PERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2002	406,687	100%	-
9/30/2003	426,433	100%	-
9/30/2004	451,066	100%	-

NOTE 13 - GENERAL OBLIGATION BONDS, 1992 ROAD IMPROVEMENT ISSUE

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

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

On April 1, 2002, the City issued \$5,460,000 in General Obligation Bonds, of which a portion of the proceeds was used to refund the outstanding 1992 General Obligation Bonds in the amount of \$1,665,000. The remaining obligation attributable to Rankin County in the amount of \$849,000 is not included in the General Long-Term Debt Account Group of the entity. See Note (11) for details of the refunding issue.

NOTE 14 - 2004 REFUNDING BONDS

On December 16, 2003, the City issued \$6,550,000 in Mississippi Development Bank Special Obligation Bonds, Refunding Project Series, 2003 with interest rates ranging between 2.45% and 5.00% to effect the current refunding of the following debt:

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 14 - 2004 REFUNDING BONDS - CONTINUED:

Note payable to the Mississippi Development Bank on a \$4,500,000 loan commitment funded from proceeds of Special Obligation Bonds, Series 1999A. The proceeds of the bonds were used to construct a municipal library facility. The loan had a variable interest rate based on the TBMA Municipal Swap Index plus 1.2%. The outstanding principal refunded was \$3,639,524.

Note payable to the Mississippi Development Bank on a \$2,700,000 loan funded from proceeds of Special Obligation Bonds, Series 2001A. The proceeds of the bonds were used for improvements to the City's sewage system. The loan had a variable interest rate based on the TBMA Municipal Swap Index. The outstanding principal refunded was \$2,566,253.

The current refunding increased total debt service payments over the next 20 years by approximately \$2,021,256. This results in an economic loss (difference between the present values of debt service payments on the old and new debt) of \$820,010.

NOTE 15 - PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On September 30, 2004, \$525,000 of bonds outstanding are considered defeased.

NOTE 16 - BRIDGE AND STREET IMPROVEMENT FUND

The Bridge and Street Improvement Fund realized a fund deficit in the amount of \$(1,043,262) at September 30, 2004. The fund had several bridge and street projects ongoing during the fiscal year with the majority of the City's share of project cost being funded through a loan with the Mississippi Development Bank. The City had previously borrowed \$2,133,498 on a \$13 million loan commitment from the bank. The City intends to borrow additional funds to cover the fund deficit.

CITY OF FLOWOOD, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

NOTE 17 - RISK MANAGEMENT

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

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

NOTE 18 - 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 approximately \$288.07 per month, per employee, to the plan to cover each employee, and each employee, at their option, authorized payroll withholdings to pay contributions for dependent coverage. The City's monthly premiums to cover all employees have been expensed in the General Fund and the Water and Sewer Enterprise Fund in the same manner as the employees' salary.

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

An excess loss insurance policy issued by Standard Life Insurance Company is in effect to reimburse the City for claims for any covered person in excess of \$20,000 incurred and paid during the policy year. In addition, the policy will reimburse the City if total losses for the policy year exceed the annual aggregate attachment point (AAAP). The AAAP is an amount equal to the product of an aggregate monthly factor times the number of covered individuals.

For the fiscal year ended September 30, 2004, the City was reimbursed \$135,619 for losses in excess of \$20,000 per individual. The AAAP was not exceeded for the fiscal year. The liability reported at

CITY OF FLOWOOD, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 18 - HEALTH SELF-INSURANCE PLAN - CONTINUED:

September 30, 2004 is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on numerous complex factors, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in this claims liability during fiscal years 2003 and 2004 were as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2002-2003	63,802	672,626	662,135	74,293
2003-2004	74,293	511,341	459,845	125,789

NOTE 19 - COMMITMENTS

At September 30, 2004, the City had entered into various contracts to acquire and construct municipal facilities as follows:

<u>Project</u>	<u>Type Contract</u>	<u>Contract Amount</u>	<u>Cost Incurred Through September 30, 2004</u>	<u>Balance Outstanding</u>
Airport Parkway	Engineering	\$ 6,776,098	5,002,872	1,773,226
Flowood Dr./Liberty Rd.	Engineering	357,730	355,899	1,831
Lakeland Dr. enhancements	Architecture Construction	94,470 664,641	76,113 631,399	18,357 33,242
Highway 468 widening	Engineering	564,807	275,735	289,072
YMCA project	Engineering Construction	87,728 610,716	27,092 240,172	60,636 370,544
Lakeland Commons project	Construction	2,395,307	1,230,770	1,164,537
Dogwood Promenade project	Construction	<u>4,525,484</u>	<u>3,339,224</u>	<u>1,186,260</u>
		\$ <u>16,076,981</u>	<u>11,179,276</u>	<u>4,897,705</u>

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
			<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Taxes:				
Current year ad valorem	\$ 1,636,250	1,636,250	1,522,811	(113,439)
Prior years ad valorem	10,000	15,000	16,505	1,505
Interest and penalties	5,000	7,000	8,499	1,499
Franchise fees	240,000	250,000	262,033	12,033
Licenses and permits	245,000	295,000	359,829	64,829
Intergovernmental	5,514,000	6,095,000	6,098,473	3,473
Charges for services	10,000	12,000	16,189	4,189
Fines and forfeits	545,000	675,000	865,608	190,608
Interest earned	8,000	6,000	17,034	11,034
Miscellaneous	100,000	183,600	200,338	16,738
Total revenues	<u>8,313,250</u>	<u>9,174,850</u>	<u>9,367,319</u>	<u>192,469</u>
EXPENDITURES:				
General government	949,500	949,500	861,251	88,249
Public safety	4,816,600	4,984,100	4,783,929	200,171
Court	-	466,475	370,755	95,720
Public property maintenance	700,000	564,000	467,752	96,248
Sanitation	152,000	152,000	144,000	8,000
Health	67,500	74,500	60,171	14,329
Street maintenance	947,500	947,500	921,875	25,625
Recreation	500,775	500,775	408,776	91,999
Shop and maintenance	266,100	285,600	271,148	14,452
Debt service	-	-	-	-
Total expenditures	<u>8,399,975</u>	<u>8,924,450</u>	<u>8,289,657</u>	<u>634,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,725)</u>	<u>250,400</u>	<u>1,077,662</u>	<u>827,262</u>
Other financing sources (uses):				
Capital leases issued	-	218,000	218,240	240
Operating transfers in	-	-	-	-
Operating transfers out	<u>(711,400)</u>	<u>(711,400)</u>	<u>(287,831)</u>	<u>423,569</u>
Total financing sources (uses)	<u>(711,400)</u>	<u>(493,400)</u>	<u>(69,591)</u>	<u>423,809</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(798,125)	(243,000)	1,008,071	1,251,071
Fund balance at beginning of year	<u>3,742,352</u>	<u>3,742,352</u>	<u>3,742,352</u>	<u>-</u>
Fund balance at end of year	\$ <u>2,944,227</u>	<u>3,499,352</u>	<u>4,750,423</u>	<u>1,251,071</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2004**

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 4,750,423
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	46,128
Intergovernmental	492,879
Police fines	52,388
Prepaid expenses	36,639
Less: accounts payable paid after October 30, 2004	<u>(44,836)</u>
Fund balance - GAAP basis	\$ <u>5,333,621</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 505,000	505,000	479,931	25,069
Supplies	27,000	30,000	26,224	3,776
Other services and charges	392,500	364,500	313,207	51,293
Capital outlay	<u>25,000</u>	<u>50,000</u>	<u>41,889</u>	<u>8,111</u>
Total general govern- ment	<u>949,500</u>	<u>949,500</u>	<u>861,251</u>	<u>88,249</u>
Public safety:				
Police:				
Personal services	2,095,000	1,935,000	1,905,442	29,558
Supplies	108,000	108,000	107,213	787
Other services and charges	318,000	240,000	210,604	29,396
Capital outlay	<u>83,100</u>	<u>301,100</u>	<u>299,007</u>	<u>2,093</u>
Total police	<u>2,604,100</u>	<u>2,584,100</u>	<u>2,522,266</u>	<u>61,834</u>
Fire:				
Personal services	1,900,000	2,070,000	1,984,095	85,905
Supplies	50,000	55,000	48,503	6,497
Other services and charges	260,000	265,000	229,065	35,935
Capital outlay	<u>2,500</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total fire	<u>2,212,500</u>	<u>2,400,000</u>	<u>2,261,663</u>	<u>138,337</u>
Total public safety	<u>4,816,600</u>	<u>4,984,100</u>	<u>4,783,929</u>	<u>200,171</u>
Court:				
Personal services	-	260,000	185,283	74,717
Supplies	-	6,475	5,513	962
Other services and charges	-	200,000	179,959	20,041
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total court	<u>-</u>	<u>466,475</u>	<u>370,755</u>	<u>95,720</u>
Public property maintenance:				
Personal services	99,000	102,000	98,084	3,916
Supplies	47,000	47,000	43,087	3,913
Other services and charges	342,000	200,000	114,320	85,680
Capital outlay	<u>212,000</u>	<u>215,000</u>	<u>212,261</u>	<u>2,739</u>
Total public property maintenance	<u>700,000</u>	<u>564,000</u>	<u>467,752</u>	<u>96,248</u>
Sanitation:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	152,000	152,000	144,000	8,000
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sanitation	<u>152,000</u>	<u>152,000</u>	<u>144,000</u>	<u>8,000</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health:				
Personal services	\$ 15,000	15,000	7,408	7,592
Supplies	51,000	58,000	52,763	5,237
Other services and charges	1,500	1,500	-	1,500
Capital outlay	-	-	-	-
Total health	<u>67,500</u>	<u>74,500</u>	<u>60,171</u>	<u>14,329</u>
Street maintenance:				
Personal services	655,000	655,000	646,492	8,508
Supplies	-	-	-	-
Other services and charges	272,500	272,500	257,412	15,088
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>17,971</u>	<u>2,029</u>
Total street maintenance	<u>947,500</u>	<u>947,500</u>	<u>921,875</u>	<u>25,625</u>
Recreation:				
Personal services	325,000	325,000	275,878	49,122
Supplies	52,300	52,300	43,413	8,887
Other services and charges	100,700	100,700	79,121	21,579
Capital outlay	<u>22,775</u>	<u>22,775</u>	<u>10,364</u>	<u>12,411</u>
Total recreation	<u>500,775</u>	<u>500,775</u>	<u>408,776</u>	<u>91,999</u>
Shop:				
Personal services	125,000	129,000	125,564	3,436
Supplies	90,500	105,000	100,612	4,388
Other services and charges	50,600	50,600	44,829	5,771
Capital outlay	-	<u>1,000</u>	<u>143</u>	<u>857</u>
Total shop	<u>266,100</u>	<u>285,600</u>	<u>271,148</u>	<u>14,452</u>
Total expenditures	\$ <u>8,399,975</u>	<u>8,924,450</u>	<u>8,289,657</u>	<u>634,793</u>

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RECREATION AND TOURISM SPECIAL TAX FUND
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 810,000	810,000	950,119	140,119
Interest earned	<u>20,000</u>	<u>20,000</u>	<u>6,869</u>	<u>(13,131)</u>
Total revenues	<u>830,000</u>	<u>830,000</u>	<u>956,988</u>	<u>126,988</u>
EXPENDITURES:				
Recreation:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	830,000	830,000	956,988	126,988
Other financing sources (uses):				
Operating transfers out	<u>312,400</u>	<u>312,400</u>	<u>312,400</u>	<u>-</u>
Total other financing sources (uses)	<u>312,400</u>	<u>312,400</u>	<u>312,400</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>517,600</u>	<u>517,600</u>	<u>644,588</u>	<u>126,988</u>
Fund balance at beginning of year	<u>1,210,915</u>	<u>1,210,915</u>	<u>1,210,915</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,728,515</u>	<u>1,728,515</u>	<u>1,855,503</u>	<u>126,988</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 1,855,503
Adjustment to GAAP basis:	
Add accrued revenue:	
Sales tax	77,625
Interest	<u>243</u>
Fund balance - GAAP basis	\$ <u>1,933,371</u>

COMBINING FINANCIAL STATEMENTS

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING BALANCE SHEET
CITY-WIDE DEBT SERVICE
SEPTEMBER 30, 2004**

	General Obligation Bonds			
	1979 Public Improvement Bonds	1988 Public Improvement Bonds	2002 Refunding Bonds	1999 Roadway Improvement Bonds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 34,126	36,117	179,676	269,141
Receivables (net of allowance for uncollectibles, where applicable):				
Taxes	785	2,355	10,520	7,851
Special assessments:				
Current	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	375
Due from other governments	-	-	-	-
Total assets	\$ <u>34,911</u>	<u>38,472</u>	<u>190,196</u>	<u>277,367</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deferred revenue	\$ -	-	-	-
Due to other funds	<u>1,196</u>	<u>15,473</u>	<u>121,825</u>	<u>153,700</u>
Total liabilities	<u>1,196</u>	<u>15,473</u>	<u>121,825</u>	<u>153,700</u>
Fund balances:				
Reserved for:				
Debt service	<u>33,715</u>	<u>22,999</u>	<u>68,371</u>	<u>123,667</u>
Total fund balances	<u>33,715</u>	<u>22,999</u>	<u>68,371</u>	<u>123,667</u>
Total liabilities and fund balances	\$ <u>34,911</u>	<u>38,472</u>	<u>190,196</u>	<u>277,367</u>

Special Assessment Bonds		Limited Obligation Bonds						State Loans and Grants					Total City-Wide Debt Service
1984 N. Flowood Fire District Improvements	1986 Special Improvements Pollution Abatement	1995 Tax Increment Financing Bonds	1999 Tax Increment Financing Bonds	2001 Tax Increment Financing Bonds	2002 Tax Increment Financing Bonds	2004 Tax Increment Financing Bonds/Dogwood Promenade Project	2004 Tax Increment Financing Bonds/Lakeland Commons Project	\$13,000,000 Capital Improvement Loan	\$190,000 Capital Improvement Loan	Capital Improvement Loan - Library	Mississippi Development Bank Special Obligation Bonds Series 2003	Bureau of Pollution Control Grant	
189,093	124,915	-	-	5,294	42,378	406,356	329,236	-	-	-	157,460	-	1,773,792
-	-	-	-	-	-	-	-	-	-	-	-	-	21,511
-	3,385	-	-	-	-	-	-	-	-	-	-	-	3,385
-	23,109	-	-	-	-	-	-	-	-	-	-	-	23,109
86,594	30,984	-	21,551	-	85,558	-	-	-	-	-	-	-	225,062
-	-	-	-	-	3,089,997	3,031,428	2,191,040	-	-	-	-	-	8,312,465
<u>275,687</u>	<u>182,393</u>	<u>-</u>	<u>21,551</u>	<u>5,294</u>	<u>3,217,933</u>	<u>3,437,784</u>	<u>2,520,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,460</u>	<u>-</u>	<u>10,359,324</u>
-	23,109	-	-	-	3,089,997	3,031,428	2,191,040	-	-	-	-	-	8,335,574
<u>4,869</u>	<u>58,270</u>	<u>30,652</u>	<u>-</u>	<u>33,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,003</u>
<u>4,869</u>	<u>81,379</u>	<u>30,652</u>	<u>-</u>	<u>33,018</u>	<u>3,089,997</u>	<u>3,031,428</u>	<u>2,191,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,754,577</u>
<u>270,818</u>	<u>101,014</u>	<u>(30,652)</u>	<u>21,551</u>	<u>(27,724)</u>	<u>127,936</u>	<u>406,356</u>	<u>329,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,460</u>	<u>-</u>	<u>1,604,747</u>
<u>270,818</u>	<u>101,014</u>	<u>(30,652)</u>	<u>21,551</u>	<u>(27,724)</u>	<u>127,936</u>	<u>406,356</u>	<u>329,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,460</u>	<u>-</u>	<u>1,604,747</u>
<u>275,687</u>	<u>182,393</u>	<u>-</u>	<u>21,551</u>	<u>5,294</u>	<u>3,217,933</u>	<u>3,437,784</u>	<u>2,520,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,460</u>	<u>-</u>	<u>10,359,324</u>

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY-WIDE DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Obligation Bonds			
	1979 Public Improvement Bonds	1988 Public Improvement Bonds	2002 Refunding Bonds	1999 Roadway Improvement Bonds
REVENUES:				
Taxes:				
Current year ad valorem	\$ 28,118	84,355	376,784	281,182
Prior years ad valorem	312	935	4,180	3,119
Special assessment	-	-	-	-
Intergovernmental	33	100	448	334
Interest earned	78	89	510	525
Other	-	-	-	-
Total revenues	<u>28,541</u>	<u>85,479</u>	<u>381,922</u>	<u>285,160</u>
EXPENDITURES:				
Current:				
Debt service:				
Principal	15,000	60,000	477,000	120,000
Interest and other fiscal charges	<u>2,026</u>	<u>28,538</u>	<u>136,268</u>	<u>127,735</u>
Total expenditures	<u>17,026</u>	<u>88,538</u>	<u>613,268</u>	<u>247,735</u>
Excess (deficiency) of revenues over (under) expenditures	11,515	(3,059)	(231,346)	37,425
Other financing sources (uses):				
Proceeds from tax increment financing bonds	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Payment to refund capital improvement loan - Library	-	-	-	-
Payment of bond issue cost on refunding bonds	-	-	-	-
Operating transfer in	-	-	212,000	-
Operating transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>212,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	11,515	(3,059)	(19,346)	37,425
Fund balance at beginning of year	<u>22,200</u>	<u>26,058</u>	<u>87,717</u>	<u>86,242</u>
Fund balance at end of year	\$ <u>33,715</u>	<u>22,999</u>	<u>68,371</u>	<u>123,667</u>

Special Assessment Bonds		Limited Obligation Bonds						State Loans and Grants					Total City-Wide Debt Service
1984 N. Flowood Fire District Improvements	1986 Special Improvements Pollution Abatement	1995 Tax Increment Financing Bonds	1999 Tax Increment Financing Bonds	2001 Tax Increment Financing Bonds	2002 Tax Increment Financing Bonds	2004 Tax Increment Financing Bonds/Dogwood Promenade Project	2004 Tax Increment Financing Bonds/Lake-land Commons Project	\$13,000,000 Capital Improvement Loan	\$190,000 Capital Improvement Loan	Capital Improvement Loan - Library	Mississippi Development Bank Sepcial Obligation Bonds Series 2003	Bureau of Pollution Control Grant	
-	-	10,664	18,131	22,960	136,236	-	-	-	-	-	-	-	958,430
-	-	-	-	-	-	-	-	-	-	-	-	-	8,546
92,462	43,422	-	-	-	-	-	-	-	-	-	-	-	135,884
-	-	-	-	-	221,303	-	-	-	-	-	-	-	222,218
159	2,010	-	-	2	225	33,763	18,813	-	-	-	32,993	-	89,167
<u>92,621</u>	<u>45,432</u>	<u>10,664</u>	<u>18,131</u>	<u>22,962</u>	<u>357,764</u>	<u>33,763</u>	<u>18,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,993</u>	<u>-</u>	<u>1,414,245</u>
45,000	65,000	9,000	8,000	16,000	95,000	-	-	110,843	13,759	440,009	-	11,359	1,485,970
<u>8,431</u>	<u>20,710</u>	<u>4,790</u>	<u>6,256</u>	<u>16,988</u>	<u>220,604</u>	<u>-</u>	<u>-</u>	<u>46,518</u>	<u>4,212</u>	<u>13,524</u>	<u>1,173</u>	<u>-</u>	<u>637,773</u>
<u>53,431</u>	<u>85,710</u>	<u>13,790</u>	<u>14,256</u>	<u>32,988</u>	<u>315,604</u>	<u>-</u>	<u>-</u>	<u>157,361</u>	<u>17,971</u>	<u>453,533</u>	<u>1,173</u>	<u>11,359</u>	<u>2,123,743</u>
39,190	(40,278)	(3,126)	3,875	(10,026)	42,160	33,763	18,813	(157,361)	(17,971)	(453,533)	31,820	(11,359)	(709,498)
-	-	-	-	-	-	372,593	310,423	-	-	-	-	-	683,016
-	-	-	-	-	-	-	-	-	-	3,786,409	55,129	-	3,841,538
-	-	-	-	-	-	-	-	-	-	(3,639,525)	-	-	(3,639,525)
-	-	-	-	-	-	-	-	-	-	(146,885)	-	-	(146,885)
-	-	-	-	-	-	-	-	157,361	17,971	48,600	70,511	11,359	517,802
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,593</u>	<u>310,423</u>	<u>157,361</u>	<u>17,971</u>	<u>48,599</u>	<u>125,640</u>	<u>11,359</u>	<u>1,255,946</u>
39,190	(40,278)	(3,126)	3,875	(10,026)	42,160	406,356	329,236	-	-	(404,934)	157,460	-	546,448
<u>231,628</u>	<u>141,292</u>	<u>(27,526)</u>	<u>17,676</u>	<u>(17,698)</u>	<u>85,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,934</u>	<u>-</u>	<u>-</u>	<u>1,058,299</u>
<u>270,818</u>	<u>101,014</u>	<u>(30,652)</u>	<u>21,551</u>	<u>(27,724)</u>	<u>127,936</u>	<u>406,356</u>	<u>329,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,460</u>	<u>-</u>	<u>1,604,747</u>

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	Special Revenue Funds				
	State Gasoline Tax	Fire Protection Fund	Special Court Assessment Fund	Police Grants Fund	Police Seizure Fund
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	-	-	-	167,647
Receivables (net of allowance for uncollectibles):					
Grants	-	-	-	9,738	-
Due from other funds	-	17,990	50,827	-	-
Note receivable from property owner	-	-	-	-	-
Total assets	\$ -	17,990	50,827	9,738	167,647
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	9,738	54,176
Due to other governments	-	-	-	-	-
Total liabilities	-	-	-	9,738	54,176
Fund balances:					
Reserved for:					
Capital projects	-	-	-	-	-
Unreserved, undesignated in:					
Special revenue funds	-	17,990	50,827	-	113,471
Total fund balances	-	17,990	50,827	-	113,471
Total liabilities and fund balances	\$ -	17,990	50,827	9,738	167,647

<u>Capital Projects</u>			
<u>Community Development Block Grant</u>	<u>Lakeland Commons Project</u>	<u>YMCA Recreational Facilities</u>	<u>Total Nonmajor Governmental Funds</u>
614	1,367,773	-	1,536,034
-	-	-	9,738
-	-	-	68,817
<u>557,089</u>	<u>-</u>	<u>-</u>	<u>557,089</u>
<u>557,703</u>	<u>1,367,773</u>	<u>-</u>	<u>2,171,678</u>
-	325,991	256,617	582,608
251	-	-	251
313	-	168,239	232,466
<u>557,089</u>	<u>-</u>	<u>-</u>	<u>557,089</u>
<u>557,653</u>	<u>325,991</u>	<u>424,856</u>	<u>1,372,414</u>
50	1,041,782	(424,856)	616,976
-	-	-	182,288
<u>50</u>	<u>1,041,782</u>	<u>(424,856)</u>	<u>799,264</u>
<u>557,703</u>	<u>1,367,773</u>	<u>-</u>	<u>2,171,678</u>

CITY OF FLOWOOD, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Special Revenue Funds				
	State Gasoline Tax	Fire Protection Fund	Special Court Assessment Fund	Police Grants Fund	Police Seizure Fund
REVENUES:					
Intergovernmental	\$ 469,194	20,295	-	28,807	-
Fines and forfeits	-	-	50,827	-	111,391
Interest earned	-	-	-	-	678
Total revenues	<u>469,194</u>	<u>20,295</u>	<u>50,827</u>	<u>28,807</u>	<u>112,069</u>
EXPENDITURES:					
Current:					
Public safety	-	2,305	-	28,807	21,569
Street maintenance	469,194	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>469,194</u>	<u>2,305</u>	<u>-</u>	<u>28,807</u>	<u>21,569</u>
Excess (deficiency) of revenues over (under) expenditures	-	17,990	50,827	-	90,500
Other financing sources (uses):					
Operating transfer in	-	-	-	-	-
Operating transfer out	-	-	-	-	-
Proceeds from tax increment financing bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	17,990	50,827	-	90,500
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,971</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>17,990</u></u>	<u><u>50,827</u></u>	<u><u>-</u></u>	<u><u>113,471</u></u>

<u>Capital Projects</u>			
<u>Community Development Block Grant</u>	<u>Lakeland Commons Project</u>	<u>YMCA Recreational Facilities</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	-	518,296
-	-	-	162,218
<u>8</u>	<u>1,681</u>	<u>-</u>	<u>2,367</u>
<u>8</u>	<u>1,681</u>	<u>-</u>	<u>682,881</u>
-	-	-	52,681
-	-	-	469,194
<u>-</u>	<u>1,399,476</u>	<u>424,856</u>	<u>1,824,332</u>
<u>-</u>	<u>1,399,476</u>	<u>424,856</u>	<u>2,346,207</u>
8	(1,397,795)	(424,856)	(1,663,326)
-	-	-	-
-	-	-	-
<u>-</u>	<u>2,439,577</u>	<u>-</u>	<u>2,439,577</u>
<u>-</u>	<u>2,439,577</u>	<u>-</u>	<u>2,439,577</u>
8	1,041,782	(424,856)	776,251
<u>42</u>	<u>-</u>	<u>-</u>	<u>23,013</u>
<u>50</u>	<u>1,041,782</u>	<u>(424,856)</u>	<u>799,264</u>

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 25,000	25,000	20,295	(4,705)
Interest earned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>20,295</u>	<u>(4,705)</u>
EXPENDITURES:				
Public safety:				
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>2,305</u>	<u>7,695</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>2,305</u>	<u>7,695</u>
Excess (deficiency) of revenues over (under) expenditures	15,000	15,000	17,990	2,990
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>15,000</u>	<u>15,000</u>	<u>17,990</u>	<u>2,990</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 17,990
Adjustment to GAAP basis	<u>-</u>
Fund balance - GAAP basis	\$ <u>17,990</u>

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
STATE GASOLINE TAX
YEAR ENDED SEPTEMBER 30, 2004

	<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	\$ <u>500,000</u>	<u>560,000</u>	<u>469,194</u>	<u>(90,806)</u>
Total revenues	<u>500,000</u>	<u>560,000</u>	<u>469,194</u>	<u>(90,806)</u>
EXPENDITURES:				
Street maintenance:				
Supplies	72,000	72,000	67,809	4,191
Other services and charges	400,000	400,000	399,710	290
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>1,675</u>	<u>3,325</u>
Total expenditures	<u>477,000</u>	<u>477,000</u>	<u>469,194</u>	<u>7,806</u>
Excess (deficiency) of revenues over (under) expenditures	23,000	83,000	-	(83,000)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>23,000</u>	<u>83,000</u>	<u>-</u>	<u>(83,000)</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ -	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>-</u>	

CITY OF FLOWOOD, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
SPECIAL COURT ASSESSMENT FUND
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fines and forfeits	\$ <u>45,000</u>	<u>45,000</u>	<u>50,827</u>	<u>5,827</u>
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>50,827</u>	<u>5,827</u>
EXPENDITURES:				
Public safety:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	45,000	45,000	50,827	5,827
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>45,000</u>	<u>45,000</u>	<u>50,827</u>	<u>5,827</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 50,827
Adjustment to GAAP basis	<u>-</u>
Fund balance - GAAP basis	\$ <u>50,827</u>

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS FUND
YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ <u>50,000</u>	<u>50,000</u>	<u>19,069</u>	<u>(30,931)</u>
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>19,069</u>	<u>(30,931)</u>
EXPENDITURES:				
Public safety:				
Police:				
Personal services	20,000	20,000	16,706	3,294
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>12,101</u>	<u>12,899</u>
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>28,807</u>	<u>16,193</u>
Excess (deficiency) of revenues over (under) expenditures	5,000	5,000	(9,738)	(14,738)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>5,000</u>	<u>5,000</u>	<u>(9,738)</u>	<u>(14,738)</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ (9,738)	
Adjustment to GAAP basis:				
Add accrued grants receivable			<u>9,738</u>	
Fund balance - GAAP basis			\$ <u>-</u>	

CITY OF FLOWOOD, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fines and forfeits	\$ 110,000	110,000	111,391	1,391
Interest earned	<u>-</u>	<u>-</u>	<u>678</u>	<u>678</u>
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>112,069</u>	<u>2,069</u>
EXPENDITURES:				
Public safety:				
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>21,569</u>	<u>3,431</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>21,569</u>	<u>3,431</u>
Excess (deficiency) of revenues over (under) expenditures	85,000	85,000	90,500	5,500
Fund balance at beginning of year	<u>22,971</u>	<u>22,971</u>	<u>22,971</u>	<u>-</u>
Fund balance at end of year	\$ <u>107,971</u>	<u>107,971</u>	<u>113,471</u>	<u>5,500</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 113,471
Adjustment to GAAP basis	<u>-</u>
Fund balance - GAAP basis	\$ <u>113,471</u>

SUPPLEMENTAL INFORMATION

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF OPERATIONS - ACTUAL AND BUDGET
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Budgetary Basis <u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
OPERATING REVENUES			
Water sales	\$ 1,361,662	1,300,000	61,662
Sewer charges	1,845,839	1,800,000	45,839
Tap and connection fees	385,501	350,000	35,501
Late fees	<u>28,201</u>	<u>25,000</u>	<u>3,201</u>
Total operating revenues	<u>3,621,203</u>	<u>3,475,000</u>	<u>146,203</u>
OPERATING EXPENSES:			
Personal services	633,921	635,000	1,079
Supplies	204,474	205,000	526
Other services and charges	<u>1,044,813</u>	<u>1,077,000</u>	<u>32,187</u>
Total operating expenses	<u>1,883,208</u>	<u>1,917,000</u>	<u>33,792</u>
Operating income before non- operating income	<u>1,737,995</u>	<u>1,558,000</u>	<u>179,995</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	29,994	1,000	28,994
Bond interest and fiscal charges	<u>(425,205)</u>	<u>(600,000)</u>	<u>174,795</u>
Total non-operating expenses	<u>(395,211)</u>	<u>(599,000)</u>	<u>203,789</u>
INCOME	1,342,784	<u>959,000</u>	<u>383,784</u>
Depreciation expense	1,948,685		
Depreciation expense	(903,385)		
Ending receivables	370,112		
Beginning receivables	(254,916)		
Increase in accrued compensated absences	<u>(2,761)</u>		
CHANGE IN NET ASSETS	\$ <u>2,500,519</u>		

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

CITY OF FLOWOOD, MISSISSIPPI

**RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Assessed Value</u>	<u>Tax</u>
ASSESSMENTS:		
Per original rolls:		
Realty	\$ 71,774,549	
Personal - other than automobile	30,032,092	
Utilities	4,525,745	
Personal - automobile	<u>18,232,722</u>	
Total roll at 20.60 mills	\$ <u>124,565,108</u>	\$ 2,566,041
 Homestead reimbursement		 2,754
DEDUCT:		
Homestead allowance	\$ 22,875	
Commission on car tags	<u>18,780</u>	<u>(41,655)</u>
		\$ <u>2,527,140</u>
	<u>Taxes</u>	<u>Homestead Exemption</u>
		<u>Total</u>
COLLECTIONS:		
Accounted for:		
General Fund	\$ 1,547,566	1,839
G. O. 1999 Public Improvement Bonds	28,118	33
G. O. 1988 Public Improvement Bonds	84,355	100
G. O. 1999 Road Im- provement Bonds	281,182	334
G. O. Refunding Bonds Limited Obligation	376,784	448
Tax Increment Bonds	<u>187,991</u>	<u>-</u>
	2,505,996	2,754
		\$ 2,508,750
UNCOLLECTED:		
Realty		3,813
Personal		16,085
UNDER (OVER) COLLECTIONS		
		<u>(1,508)</u>
Total accounted for		\$ <u>2,527,140</u>

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF TEMPORARY CASH INVESTMENTS
AND INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 2004**

	<u>Date Issued</u>	<u>Date Matures</u>	<u>Interest Rate</u>	<u>Amount</u>
<u>RECREATIONAL AND TOURISM</u>				
<u>SPECIAL TAX FUND</u>				
Certificate of Deposit	08-16-04	02-15-05	1.49%	\$ <u>132,210</u>
<u>PROPRIETARY FUND TYPES:</u>				
Certificate of Deposit	07-12-04	01-13-05	1.25%	52,230
Certificate of Deposit	07-13-04	01-14-05	1.25%	30,355
Certificate of Deposit	09-23-04	03-22-05	1.25%	24,571
Certificate of Deposit	09-17-04	06-17-05	1.10%	6,409
Certificate of Deposit	09-17-04	06-17-05	1.10%	<u>6,410</u>
				<u>119,975</u>
Total investments				\$ <u>252,185</u>
Investments - unrestricted				\$ 239,366
Investments - restricted				<u>12,819</u>
Total investments				\$ <u>252,185</u>

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2004**

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

CITY OF FLOWOOD, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

DEFINITION AND PURPOSE

<u>Date</u>	<u>Balance Outstanding October 1, 2003</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30,</u>
		<u>Issued</u>	<u>Redeemed</u>	
<u>2004</u>				
GENERAL OBLIGATION BONDS:				
1979 Public Improvement	\$ 15,000	-	15,000	-
1988 Public Improvement	355,000	-	60,000	295,000
1999 Roadway Improvement	2,840,000	-	120,000	2,720,000
2002 Refunding	<u>3,983,000</u>	<u>-</u>	<u>477,000</u>	<u>3,506,000</u>
	<u>7,193,000</u>	<u>-</u>	<u>672,000</u>	<u>6,521,000</u>
REVENUE BONDS:				
1997 Golf Course Urban Renewal	4,630,000	-	105,000	4,525,000
1998 Water and Sewer System	<u>7,325,000</u>	<u>-</u>	<u>205,000</u>	<u>7,120,000</u>
	<u>11,955,000</u>	<u>-</u>	<u>310,000</u>	<u>11,645,000</u>
SPECIAL ASSESSMENT BONDS:				
1985 Special Tax Fire Protection	95,000	-	45,000	50,000
1986 Special Improvement Pollution Abatement	<u>220,000</u>	<u>-</u>	<u>65,000</u>	<u>155,000</u>
	<u>315,000</u>	<u>-</u>	<u>110,000</u>	<u>205,000</u>
LIMITED OBLIGATION BONDS:				
1995 Tax Increment	74,000	-	9,000	65,000
1999 Tax Increment	85,000	-	8,000	77,000
2001 Tax Increment	302,000	-	16,000	286,000
2001 Tax Increment	4,005,000	-	95,000	3,910,000
2004 Tax Increment	-	2,750,000	-	2,750,000
2004 Tax Increment	<u>-</u>	<u>4,375,000</u>	<u>-</u>	<u>4,375,000</u>
	<u>4,466,000</u>	<u>7,125,000</u>	<u>128,000</u>	<u>11,463,000</u>
NOTE:				
Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Water and Sewer Enterprise	517,217	-	52,030	465,187
Mississippi Department of Economic and Community Development Capital Improvements Loan Program - General Fund - (Fire truck)	102,475	-	13,759	88,716
Mississippi Development Bank Loan	-	-	-	-
Water and Sewer Enterprise (re- pair, improve and extend sewage system)	2,700,000	-	2,700,000	-

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

DEFINITION AND PURPOSE - CONTINUED:

<u>2004</u>	<u>Date</u>	<u>Balance Outstanding October 1, 2003</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30,</u>
			<u>Issued</u>	<u>Redeemed</u>	
NOTE - CONTINUED:					
	Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Capital Projects	\$ 1,974,998	-	100,010	1,874,988
	Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Water and Sewer Enterprise	685,899	-	63,049	622,850
	Mississippi Development Bank Loan - Municipal Library Complex	4,074,658	-	4,074,658	-
	Mississippi Development Bank Loan - Municipal Library Complex	-	6,550,000	-	6,550,000
	Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Capital Projects	-	82,417	-	82,417
	Mississippi Department of Economic and Community Development Capital Improvements Loan Program - Capital Projects	-	65,250	-	65,250
		<u>10,055,247</u>	<u>6,697,667</u>	<u>7,003,506</u>	<u>9,749,408</u>
STATE GRANTS:					
	Grant #1 State of Mississippi	12,755	-	8,985	3,770
	Grant #2 State of Mississippi	4,085	-	2,364	1,721
		<u>16,840</u>	<u>-</u>	<u>11,349</u>	<u>5,491</u>
CAPITAL LEASES:					
	AmSouth Bank	80,715	-	38,919	41,796
	Trustmark National Bank	59,898	-	39,413	20,485
	First Continental Leasing	-	218,240	74,971	143,269
		<u>140,613</u>	<u>218,240</u>	<u>153,303</u>	<u>205,550</u>
	Total	\$ <u>34,141,700</u>	<u>14,040,907</u>	<u>8,388,158</u>	<u>39,794,449</u>
NO-COMMITMENT DEBT:					
	Urban Renewal Bonds:				
	Airport Road Partners	\$ <u>495,035</u>	<u>-</u>	<u>173,349</u>	<u>321,686</u>
	Total	\$ <u>495,035</u>	<u>-</u>	<u>173,349</u>	<u>321,686</u>

ADDITIONAL REPORTS

**REPORT ON COMPLIANCE AND 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 Aldermen
City of Flowood, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flowood, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the City of Flowood, Mississippi's basic financial statements and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Flowood, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

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

October 7, 2005

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

To the Honorable Mayor and Aldermen
City of Flowood, Mississippi

Compliance

We have audited the compliance of the City of Flowood, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2004. The City of Flowood, Mississippi's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the City of Flowood, Mississippi's management. Our responsibility is to express an opinion on the City of Flowood, Mississippi's compliance based on our audit.

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

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

September 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items X1-04 and X2-04.

Internal Control Over Compliance

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

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

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

October 7, 2005

ADDITIONAL SCHEDULES

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title/ Grant Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Grant Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:				
Pass-through programs from:				
Mississippi Department of Transportation				
Highway Planning and Construction	20.205			
Airport Parkway Commission		100551	\$ 2,838,238	2,838,238
Woodrow Wilson Bridge		BRD-8295-00(02)/103688301000	444,257	445,257
East Metro Corridor Commission		103215 101000	357,001	357,001
Highway 468 Widening		7337-00(001)/103408-101	<u>255,759</u>	<u>255,759</u>
			3,895,255	3,896,255
Mississippi Office of Highway Safety				
Occupant Protection	20.602			
2002 Occupant Protection		4-IN-278-1	<u>12,101</u>	<u>12,101</u>
Total pass-through programs			<u>3,907,356</u>	<u>3,908,356</u>
U.S. Environmental Protection Agency:				
Direct Program - Capitalization Grants				
for State Revolving Funds	66.606			
Hogg Creek Interceptor Project		XP-99468195-4	<u>1,318,333</u>	<u>1,318,333</u>
U.S. Department of Housing and Urban Development:				
Pass-through program from Mississippi State				
Department of Economic and Community Develop-				
ment, Division of Community Development				
Community Development Block Grants/ State's Program	14.228			
Community Development Block Grant		99-185-RV-LN01	<u>-</u>	<u>557,089</u>
U.S. Department of Justice:				
Pass-through program from:				
Mississippi Emergency Management Agency				
State Domestic Preparedness Equipment				
Support Grant	16.007			
FY 2003 Homeland Security Grant		3S5G-1024	<u>9,070</u>	<u>9,070</u>
U.S. Department of Health and Human Services:				
Direct program:				
Gulf Coast High Intensity Drug Trafficking				
Area Grant	Unknown	14PGCP600Z	<u>5,136</u>	<u>7,259</u>
Total expenditures of Federal awards			\$ <u>5,239,895</u>	<u>5,800,107</u>

See accompanying note to schedule of expenditures of Federal awards.

CITY OF FLOWOOD, MISSISSIPPI

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

NOTE A - BASIS OF PRESENTATION

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

CITY OF FLOWOOD, MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2004**

U.S. DEPARTMENT OF TRANSPORTATION

X1-03 Highway Planning and Construction - CFDA No. 20.205

Condition: The reporting package was not submitted within the extension period allowed by the City's oversight agency.

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

Current Status: The City has budgeted for fiscal year 2005-2006 to hire a higher level accounting person to assume significant responsibility for the accounting records.

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2004**

SUMMARY OF AUDIT RESULTS

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

<u>Program</u>	<u>Federal CFDA Number</u>
U.S. Department of Housing and Urban Development - Community Development Block Grant/State	14.228
U.S. Environmental Protection Agency - Surveys, Studies, Investigations and Special Purpose Grants	66.606

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

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2004**

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
U.S. ENVIRONMENTAL PROTECTION AGENCY

X1-04 Community Development Block Grant/State - CFDA 14.228 and Surveys, Studies, Investigations and Special Purpose Grants - CFDA 66.606; Grant period: September 30, 2004.

Condition: The reporting package was not submitted within nine months after year end.

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

Effect: The City requested and received an extension until September 30, 2005 to complete the reporting package. The package was submitted on October 11, 2005.

Cause: The City's accounting staff was not able to complete the general ledger records in a timely manner due to the rapid growth of special projects occurring within the City during the fiscal year.

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

Action Taken: The City has budgeted a higher level accounting position to assume significant responsibility for the accounting records for fiscal year 2005-2006.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

X2-04 Community Development Block Grant/State - CFDA 14.228; Grant period: Year ended September 30, 2004.

Condition: Quarterly financial reports due from the subgrantee were not received by the City on a timely basis and a monthly loan payment due from the subgrantee was not received by the City before the due date.

Criteria: The subgrantee is required to submit monthly payments to the City by the 10th of each month. One of the twelve monthly payments was not received until the 13th of the month. The subgrantee is also required to submit quarterly financial reports to the City.

CITY OF FLOWOOD, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2004**

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - CONTINUED:

Effect: The monthly payment to the Department of Economic and Community Development was late. In addition, the City was unable to determine that the subgrantee was in compliance with the loan agreement.

Cause: The subgrantee did not timely remit a monthly loan payment to the City. In addition, the subgrantee did not submit the required quarterly reports.

Recommendation: The City should communicate the importance of making timely loan payments to the subgrantee. In relation to the quarterly financial reports, the City should communicate the subgrantee's noncompliance to the Mississippi Department of Economic and Community Development.

Action Taken: The City communicated the importance of making timely loan payments to the subgrantee. In addition, the City has communicated the subgrantee's noncompliance to the Mississippi Department of Economic and Community Development.

Grantee Response: The City agrees with the finding and the auditor's recommendations have been adopted.