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CITY OF GREENWOOD
Office of the City Clerk

NICK JOSEPH, JR., CPA
City Clerk

August 8, 2013

Office of the State Auditor
Attn: Janice Dendy
P. O. Box 956
Jackson, MS 39211

Dear Sir or Madam:

Accompanying this letter are two hard copies of the annual audit of the City of Greenwood, Mississippi, for the fiscal year ended September 30, 2012. A separate management letter was not written to the city in connection with this audit.

If there are questions, please contact Nick Joseph, Jr. at 662-453-2246 or P. O. Box 907, Greenwood, Ms 38935-0907.

Sincerely,


Nick Joseph, Jr., CPA
City Clerk

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CITY OF GREENWOOD, MISSISSIPPI
Financial Statements
For the Year Ended September 30, 2012

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CITY OF GREENWOOD, MISSISSIPPI
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For the Year Ended September 30, 2012

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FINANCIAL SECTION

W. Lee Mattox, CPA
William A. Adams, CPA
Gay G. Moss, CPA
Lance Mohamed, CPA
Robert K. VanDevender, CPA
Robert A. Hearn, CPA

FRED T. NEELY & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
105 West President Avenue
P. O. Box 894 P. O. Box 842
Greenwood, Mississippi 38935
PHONE: 662-453-7112 or 662-453-9185
FAX: 662-455-9409 or 662-453-7123

Fred T. Neely, CPA
(1897 - 1967)
Billy Joe Killebrew, CPA
(1942 - 2010)
Ralph F. Neely, CPA
(1927 -)

INDEPENDENT AUDITOR'S REPORT

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To the City Council
City of Greenwood, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greenwood, Mississippi, as of and for the year ended September 30, 2012, 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 Greenwood, 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. The financial statements of the Greenwood Tourism Commission were not audited in accordance with *Government Auditing Standards*. 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 the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greenwood, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013, on our consideration of the City of Greenwood, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 21 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenwood, Mississippi's financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fred T. Neely & Company, PLLC



Greenwood, Mississippi
June 17, 2013



CITY OF GREENWOOD

OFFICE: 662-453-2246
FAX: 662-451-8075

Management's Discussion and Analysis For the Year Ended September 30, 2012

The discussion and analysis of The City of Greenwood's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2012. 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 to enhance their understanding of the City's financial performance.

Financial Highlights:

Key financial highlights for 2012 were as follows:

- The assets of the City of Greenwood exceeded its liabilities at the close of the 2012 fiscal year by \$94,870,828. Of this amount, there is \$19,334,690 in *unrestricted net assets* that can be used to meet the City's ongoing obligations to its citizens and creditors.
- The government's total net assets increased by \$3,475,321.
- The total assets of governmental activities increased by \$461,416.
- The City's governmental funds reported total ending fund balance of \$4,597,764 this year. This compares to the prior year ending fund balance of \$4,714,975 showing a decrease of \$117,211. Approximately 62% of this total, \$2,838,595 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,848,058 or 25% of total General Fund expenditures including transfers and 25% of total General Fund revenues including transfers, sale of real estate and proceeds from capital leases.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the

City of Greenwood Management's Discussion and Analysis

City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, health, welfare, culture and recreation, interest on long-term debt, miscellaneous appropriations and industrial development. Business-type activities include sewer and solid waste management and electric/water utilities. Fiduciary funds of which the city only has agency funds are reported in the fiduciary fund financial statement, but are excluded from government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

The government-wide financial statements include the City of Greenwood and Greenwood Utilities (a blended component unit) shown as the primary government and two organizations for which the City is accountable, the Tourism Commission and the Public Library, discretely presented component units. Financial information for the discretely presented component units are reported separately from the financial information presented for the primary government itself. Financial statements for these agencies can be obtained at the following addresses:

- Greenwood Tourism Commission, 111 East Market St., Greenwood, MS 38930
- Greenwood-Leflore Public Library, 405 West Washington St., Greenwood, MS 38930
- Greenwood Utilities, 101 Wright Place, Greenwood, MS 38930

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The analysis of the City's major funds begins on page 17. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Greenwood, the City's major governmental fund is the General Fund, and the major proprietary funds are the Sewage Enterprise Fund and Greenwood Utilities Fund.

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City of Greenwood Management's Discussion and Analysis

Governmental Funds

All of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 you 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 between governmental activities and governmental funds is reconciled in the financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Greenwood adopts an annual budget for all of its funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary Funds

The City of Greenwood maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Sewage and Solid Waste Enterprise Funds and the Greenwood Utilities Fund. The City uses an internal service fund to account for its Employee Benefit Trust Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewage Enterprise Fund and the Greenwood Utilities Fund, which are considered to be major funds of the City of Greenwood.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements. The notes to the financial statements can be found on pages 29-73 of this report.

**City of Greenwood
Management's Discussion and Analysis**

Financial Analysis of the City as a whole

You will note that the statement of net assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2012 compared to 2011.

**Table 1
Net Assets
(amounts expressed in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current & other assets	\$ 10,023	\$ 10,458	\$ 20,753	\$ 22,585	\$ 30,776	\$ 33,043
Capital assets, net	26,798	25,902	66,234	62,337	93,032	88,239
Total Assets	\$ 36,821	\$ 36,360	\$ 86,987	\$ 84,922	\$ 123,808	\$ 121,282
Liabilities						
Current & other liabilities	\$ 4,994	\$ 5,276	\$ 4,569	\$ 3,990	\$ 9,563	\$ 9,266
Long-term liabilities						
Due within one year	974	884	737	1,223	1,711	2,107
Due in more than one year	7,131	7,094	10,533	11,419	17,664	18,513
Total Liabilities	\$ 13,099	\$ 13,254	\$ 15,839	\$ 16,632	\$ 28,938	\$ 29,886
Net Assets						
Invested in capital assets, net of related debt	\$ 19,177	\$ 18,394	\$ 55,000	\$ 50,212	\$ 74,177	\$ 68,606
Restricted:						
Capital projects	246	245	-	-	246	245
Debt service	928	848	-	-	928	848
Community development projects	111	111	-	-	111	111
Other Purposes	74	184	-	-	74	184
Unrestricted	3,186	3,323	16,148	18,078	19,334	21,401
Total Net Assets	\$ 23,722	\$ 23,105	\$ 71,148	\$ 68,290	\$ 94,870	\$ 91,395

At the end of the current fiscal year, the City of Greenwood was able to report positive balances in all three categories of net assets, both for the City as a whole and for its separate governmental and business type activities.

The largest portion of the City's net assets (78%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. 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 repay these liabilities. Total assets increased by \$ 2,526,048. Capital assets increased by \$ 4,793,879. Net assets of the City's governmental activities increased by \$616,833. Unrestricted assets are sufficient to pay liabilities payable from unrestricted assets.

**City of Greenwood
Management's Discussion and Analysis**

Table 2 provides a summary of the Changes in Net Assets government-wide for the year ended September 30, 2012, compared to the year ended September 30, 2011.

**Table 2
Changes in Net Assets
(amounts expressed in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 1,331	\$ 1,127	\$ 37,658	\$ 38,630	\$ 38,989	\$ 39,757
Operating grants & contributions	529	418	54	56	583	474
Capital grants & contributions	756	1,361	1,359	337	2,115	1,698
General revenues						
Property taxes	4,575	4,383	-	-	4,575	4,383
Sales taxes	4,330	4,366	-	-	4,330	4,366
Franchise taxes	271	289	-	-	271	289
Investment earnings	22	68	45	112	67	180
Gain(loss) on sale/retirement of fixed assets	6	(22)	(3)	(49)	3	(71)
Grants & contributions not restricted to specific programs	189	175	-	-	189	175
Total revenues	12,009	12,165	39,113	39,086	51,122	51,251
Expenses:						
General government	1,373	1,352	-	-	1,373	1,352
Public safety	7,241	7,125	-	-	7,241	7,125
Public works	2,225	2,186	-	-	2,225	2,186
Health, welfare & sanitation	85	-	-	-	85	-
Culture & recreation	620	523	-	-	620	523
Economic Development	280	129	-	-	280	129
Interest on long-term debt	337	301	-	-	337	301
Miscellaneous appropriations	632	557	-	-	632	557
Industrial development	-	-	-	-	-	-
Sewer	-	-	2,162	2,342	2,162	2,342
Solid waste	-	-	1,876	1,845	1,876	1,845
Unemployment Compensation	-	-	21	17	21	17
Electric/water	-	-	30,795	36,484	30,795	36,484
Total expenses	12,793	12,173	34,854	40,688	47,647	52,861
Increase (decrease) in net assets before transfers	\$ (784)	\$ (8)	\$ 4,259	\$ (1,602)	\$ 3,475	\$ (1,610)
Transfers	1,400	1,502	(1,400)	(1,502)	-	-
Change in net assets	616	1,494	2,859	(3,104)	3,475	(1,610)
Net assets - October 1	23,106	21,611	68,290	71,434	91,396	93,045
Prior period adjustment	-	-	-	(40)	-	(40)
Net assets - September 30	\$ 23,722	\$ 23,105	\$ 71,149	\$ 68,290	\$ 94,871	\$ 91,395

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City of Greenwood Management's Discussion and Analysis

The decrease in net assets before transfers for 2012 as compared to 2011 for governmental activities is due primarily to slight increases in all of the expense categories. The increase in net assets before transfers for 2012 as compared to 2011 for business-type activities is due primarily to the fact that in 2011 there was additional generating expense of \$5,720,464 paid to MEAM for capacity reserve for prior years that was not applicable to 2012.

Governmental Activities

Several revenues sources fund our Governmental Activities. Under the accrual basis of accounting, sales taxes accounted for \$4,330,092 or 46% of general revenues less transfers and property taxes accounted for \$4,574,988 or 49% of general revenues less transfers.

Major expense activities, under the accrual basis of accounting, including public safety accounted for 57% of total governmental activities expenses, public works accounted for 17% and general government accounted for 11%. The City of Greenwood is committed to providing the best services possible for its citizens.

Business-type Activities

User fees fund our business-type activities. User fees accounted for \$37,657,503 or 97% of gross revenues with investment earnings, grants and contributions accounting for the remaining 3% of gross revenues.

Major expense activities include electric/water accounting for 88% of total expenses, sewer accounting for 6% and solid waste accounting for 5%.

The City is committed to providing the basic services expected by the citizens of Greenwood.

The City's Funds

The focus of the City's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,597,764 a decrease of \$117,211 in comparison with the prior year. Approximately 62% of the City's governmental fund balance, \$2,838,595 constitutes unassigned fund balance that is available for spending at the City's discretion. Of the remaining fund balance, \$6,544 is restricted for public safety, \$430,855 is restricted for public works and \$927,628 is restricted for debt service. Assigned fund balances are: \$11,301 for culture & recreation, \$20,892 for public safety, \$231,011 for special projects and \$130,938 for economic development & assistance.

Information about the City's major governmental funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. Total governmental revenues were \$11,999,481 and total governmental expenditures were \$15,831,713.

**City of Greenwood
Management's Discussion and Analysis**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,848,058 compared to \$2,451,773 in 2011. The General Fund's unassigned fund balance increased by \$396,285.

General Fund Budgeting 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 the course of 2012, the City amended its general fund budget as needed. Recommendations for a budget amendment originate with the department head, are approved by the Mayor and submitted to the City Clerk to be placed on the agenda for City Council approval. The City does not allow budget changes that modify line items within departments without Council approval. With the General Fund supporting many of our major activities such as police and fire protection, legislative and executive activities, public works and recreational activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. The General Fund's original budgeted revenues were \$9,789,266 and final budgeted revenues were \$9,919,066. Actual revenue collections were \$9,949,652. The major factors contributing to the slight increase in actual revenue compared to budgeted amounts were that fees and fines and intergovernmental revenues were more than the amount projected. General fund operating expenditures were \$11,154,362 compared to the final budget amount of \$11,606,797.

The City of Greenwood's ending unencumbered cash balance in the General Fund was \$39,814 over the final budgeted amount.

Capital Assets and General Long-Term Obligations

Capital Assets

Table 3
Capital Assets (Net of Depreciation) at September 30, 2012
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,367	\$ 3,367	\$ 421	\$ 340	\$ 3,788	\$ 3,707
Infrastructure	14,567	13,603	55,413	55,415	69,980	69,018
Building & improvements	5,864	5,748	2,169	2,273	8,033	8,021
Mobile equipment	842	901	1,717	1,526	2,559	2,427
Equipment & furniture	356	381	664	488	1,020	869
Capital Leases	945	289	905	905	1,850	1,194
Construction in progress	857	1,614	4,945	1,390	5,802	3,004
	<u>\$ 26,798</u>	<u>\$ 25,903</u>	<u>\$ 66,234</u>	<u>\$ 62,337</u>	<u>\$ 93,032</u>	<u>\$ 88,240</u>

**City of Greenwood
Management's Discussion and Analysis**

The primary increase to capital assets was in the infrastructure category due to the beginning of major projects. Upon completion of the construction-in-progress projects, the total construction costs will be added to building or infrastructure, as applicable, and depreciation will begin in that fiscal year.

General Long-Term Obligations

At September 30, 2012, the City of Greenwood had \$6,315,000 in outstanding general obligation bonds, \$655,428 in notes payable to the Mississippi Development Authority, \$6,420,918 in state revolving loans with the Mississippi Department of Environmental Quality, and \$4,455,469 in sewer system refunding bonds.

The City's legal debt margin for the issuance of general obligation bonds at September 30, 2012, was \$14,406,926.

Table 4 compares the total outstanding long-term obligations of the City at September 30, 2012 to 2011 amounts.

**Table 4
Outstanding Notes and Long-term Obligations at Year End
(amounts expressed in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 4,335	\$ 4,525	\$ -	\$ -	\$ 4,335	\$ 4,525
General obligation bonds-MBIA issue	1,980	2,160	-	-	1,980	2,160
Sewer Revenue Refunding Bonds, Series 2012	-	-	4,455	-	4,455	-
State revolving loan	-	-	6,421	11,501	6,421	11,501
Note payable	655	784	-	-	655	784
Compensated absences	237	226	447	516	684	742
Capital leases	844	215	431	599	1,275	814
	<u>\$ 8,051</u>	<u>\$ 7,910</u>	<u>\$ 11,754</u>	<u>\$ 12,616</u>	<u>\$ 19,805</u>	<u>\$ 20,526</u>

The general obligation bonds for the governmental activities are being repaid by an annual debt service tax levy. The general obligation bonds for the MBIA issue are being repaid by Milwaukee Electric Tool Corporation in the form of monthly rents of \$24,864.

The state revolving loans are repaid by a reduction in sales tax revenue received from the State Tax Commission monthly; however, the Sewage Enterprise Fund reimburses the General Fund for the reduction monthly.

The note payable, as listed above, is being paid by Viking Range Corporation in the form of monthly rents of \$12,553.

The sewer revenue refunding bonds are being repaid through user charges.

**City of Greenwood
Management's Discussion and Analysis**

The annual requirements to amortize long-term debt outstanding as of September 30, 2012, including interest, by source of retirement are presented in Table 5 for bonds and notes.

**Table 5
Annual Cash Demand by Type of Debt
(amounts expressed in thousands)**

FYE	G O Bonds	Note Payable - CAP Loan	G O Bonds - MBIA	Sewer Refunding Bonds	State Revolving Loan	TOTAL
2013	\$ 440	\$ 152	\$ 237	\$ 600	\$ 487	\$ 1,916
2014	445	152	231	655	487	1,970
2015	440	152	226	653	487	1,958
2016	449	152	221	656	487	1,965
2017	453	102	215	655	487	1,912
Thereafter	3,252	-	1,177	1,583	5,026	11,038
Total	\$ 5,479	\$ 710	\$ 2,307	\$ 4,802	\$ 7,461	\$ 20,759

The capital leases, shown in Table 6 below, are comprised of three trash knuckle boom trucks, three garbage rear loaders and two garbage front loaders for the Garbage/Sanitation Department, a Ferrara Rescue/Pumper Truck and an E-One 75' Aerial Truck for the Fire Department.

**Table 6
Annual Cash Demand for Capital Leases**

FYE	Garbage Trucks Capital Lease	Fire Trucks Capital Lease	TOTAL
2013	\$ 184,430	\$ 112,337	\$ 296,767
2014	155,474	112,337	267,811
2015	109,300	112,337	221,637
2016	-	112,337	112,337
2017	-	112,337	112,337
Thereafter	-	414,636	414,636
Total	\$ 449,204	\$ 976,321	\$ 1,425,525

The compensated absences liability identified in Table 4 refers to the balance of what has been earned as a termination benefit that will be paid over time as people leave or retire. Under GAAP reporting, this liability must be reported as compensated absences at year-end due to the language in our personnel policies to the effect that the employee has "earned" the compensation. The City does not provide a specific budget for this portion of the liability. These amounts are paid, when due, from the department's annual personal services budget.

Additional information on the City of Greenwood's long-term debt can be found in Note 3 on pages 54-62.

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**City of Greenwood
Management's Discussion and Analysis**

Current Financial Related Activities

Despite a present economy that is stagnant, the City of Greenwood is financially stable. The City is committed to maintaining that stability without any tax increase if possible. The City maintains an excellent system of budgeting, financial planning and internal controls. The City will strive to continue its sound fiscal management in order to meet future challenges. The general outlook for the City is extremely positive. We continue to experience growth in the city. Tractor Supply Company, a nationwide farm supply retailer, built a new retail location in Greenwood during FY 2013. Milwaukee Electric Tool is in the first phase of an \$18,000,000 expansion. The phase one expansion resulted in thirty-two new employees being hired. HDW, a hardware distribution company, has increased its capacity by 5,000 square feet. 4-Way Electric recently expanded its facility by 40,000 square feet. As part of the expansion, 4-Way electric hired fifteen new employees. In FY 2012, Clint Williams Company, a peanut processor, built a new facility on a 40-acre site in the Greenwood Leflore Industrial Park near the Leflore County Agri-Center. The new peanut facility created approximately thirty new jobs and served as a tremendous boost to the local economy. Viking Range Corporation who had a significant layoff at the beginning of 2013 is starting to hire again. In addition there have been a number of private renovations of commercial property in the downtown area and in other commercial areas of the City.

The Greenwood Recycling Center is up and at full speed turning waste into valuable goods. The center has been the beneficiary of several grants including one for a new conveyor belt and one for new recyclable bins.

Phase 1 of the City's Linear Park is being designed. This phase will take the Linear Park, which runs along the old Columbus & Greenville Railway rail bed, from Lamar Street to the City Park. This project is being financed through a \$1.4 million grant from MDOT with the City contributing a small match. Construction should begin in early 2014. Phase II is in the early planning stages and the design phase should begin at the end of the FY13. The estimated cost of the second phase is \$800,000 with a City match of 20%.

The Baptist Town Revitalization Project began in FY 2012. The City received a \$209,000 grant from the Foundation for The Mid South. The project plans to improve the entry way into Baptist Town, fund a homeowner rehabilitation project as well as fund the placement of new Katrina Cottages in Baptist Town.

The City is also involved in a Home Investment Partnership Program which involves home reconstruction. In FY 2013 bids will be accepted for legal, administration, inspection and construction costs.

Construction began on the Yazoo River Trail in FY 2012. The Yazoo River Trail is a walking and hiking trail that runs alongside the Yazoo River. Phase I was completed during FY 2013. The funding for this project came from grant funds with a small match from the City.

The City is currently in the engineering phase of rehabbing two pumping stations (near the underpass and at Cotton Street near the Leflore County Courthouse). In addition to the rehabilitation project, the City is planning to replace two small pumping stations. The estimated cost for these projects is \$600,000 and will be paid from sewer funds.

**City of Greenwood
Management's Discussion and Analysis**

As you can see, many positive things are happening by utilizing funds from outside sources. And all the while, these projects are still able to be undertaken with little or no impact to the City's taxpayers. City officials would like to reassure its constituents that they are working hard to make sure Greenwood gets the most bang for its buck and that Greenwood is going to continually strive to maintain its status as the jewel of the Mississippi Delta.

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 funds it receives. Questions about this report or requests for additional information should be made to the City Clerk, City of Greenwood, Mississippi, at 662-453-2246.

BASIC FINANCIAL STATEMENTS

City of Greenwood, Mississippi
Statement of Net Assets
September 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
ASSETS				
Cash and equivalents	\$ 3,689,803	\$ 5,122,742	\$ 8,812,545	\$ 607,204
Investments	133,482	1,427,432	1,560,894	-
Receivables				
Accounts, net	-	3,635,288	3,635,288	-
Property taxes	4,834,128	-	4,834,128	-
Other	186,830	439,606	626,436	358
Internal balances	456,150	(456,150)	-	-
Due from other governmental agencies	888,821	634,855	1,533,676	63,361
Inventories	-	1,147,918	1,147,918	-
Prepaid items	24,301	87,222	111,523	2,872
Deferred charges	-	109,514	109,514	-
Other long-term receivables	-	68,594	68,594	-
Restricted assets				
Cash and cash equivalents	-	3,752,285	3,752,285	68,084
Investments	-	4,777,568	4,777,568	-
Interest receivable	-	5,228	5,228	-
Group medical plan receivable	-	-	-	-
Capital assets				
Land	3,367,042	421,020	3,788,062	-
Infrastructure	14,566,544	55,412,748	69,979,292	-
Buildings and improvements	5,863,814	2,169,037	8,032,851	30,045
Equipment and furniture	356,639	664,062	1,020,701	51,813
Mobile equipment	842,706	1,717,418	2,560,124	1,546
Library books and materials	-	-	-	134,848
Capital leases	944,563	905,472	1,850,035	-
Construction in progress	856,590	4,945,190	5,801,780	-
Total assets	<u>\$ 36,821,393</u>	<u>\$ 86,987,049</u>	<u>\$ 123,808,442</u>	<u>\$ 960,131</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 360,554	\$ 2,875,842	\$ 3,236,396	\$ 16,461
Due to other governmental agencies	13,075	58,595	71,670	-
Other payables	102,940	15,905	118,845	-
Sales tax payable	-	62,750	62,750	-
Deferred revenues	4,517,561	-	4,517,561	-
Payable from restricted assets				
Accounts payable	-	-	-	-
Revenue bonds payable	-	520,000	520,000	-
Customer deposits	-	1,006,379	1,006,379	-
Unemployment compensation allowance	-	24,000	24,000	-
Group medical insurance claims payable	-	4,219	4,219	-
Long-term liabilities				
Due within one year				
Bonds, capital leases and contracts	683,868	534,907	1,218,775	-
Accrued interest	52,854	37,011	89,865	-
Accrued compensated absences	237,269	165,481	402,750	3,212
Due in more than one year				
Accrued compensated absences	-	281,010	281,010	-
Bonds, capital leases and contracts	7,130,986	10,252,408	17,383,394	-
Total liabilities	<u>\$ 13,099,107</u>	<u>\$ 15,838,507</u>	<u>\$ 28,937,614</u>	<u>\$ 19,673</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 19,176,520	\$ 55,000,129	\$ 74,176,649	\$ 212,758
Restricted for:				
Capital projects	246,329	-	246,329	-
Debt service	927,627	-	927,627	-
Community development projects	111,468	-	111,468	-
Other Purposes	74,065	-	74,065	-
Purchase of genealogy materials	-	-	-	5,955
Production of income to purchase books	-	-	-	10,000
Miss State unemployment revolving fund	-	-	-	4,502
Standards-based library automation system	-	-	-	47,627
Unrestricted	3,186,277	16,148,413	19,334,690	659,616
Total net assets	<u>\$ 23,722,286</u>	<u>\$ 71,146,542</u>	<u>\$ 94,870,828</u>	<u>\$ 940,458</u>

City of Greenwood, Mississippi
Statement of Activities
For the Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental Activities				
General Government	\$ 1,372,861	\$ 163,756	\$ 53,831	\$ -
Public Safety	7,240,602	569,810	409,153	16,111
Public Works	2,225,298	116,098	58,104	505,600
Health, Welfare and Sanitation	85,083	-	-	33,190
Culture and Recreation	619,748	28,419	10,237	87,135
Economic development & assistance	280,014	-	-	114,443
Miscellaneous Appropriations	631,545	-	-	-
Interest on Long-term debt	337,037	452,937	-	-
Total governmental activities	<u>12,792,186</u>	<u>1,331,020</u>	<u>529,325</u>	<u>756,479</u>
Business-type activities				
Sewer	2,162,341	2,965,035	-	1,250,321
Solid Waste	1,876,231	1,911,245	54,290	58,765
Unemployment Compensation	21,425	-	-	-
Electric/Water	30,794,439	32,781,223	-	50,000
Total business-type activities	<u>34,854,436</u>	<u>37,657,503</u>	<u>54,290</u>	<u>1,359,086</u>
Total primary government	<u>\$ 47,646,622</u>	<u>\$ 38,988,523</u>	<u>\$ 583,615</u>	<u>\$ 2,115,565</u>
Component Units				
Tourism Commission	\$ 440,130	\$ -	\$ -	\$ -
Public Library	525,280	16,758	131,222	-
Total component units	<u>\$ 965,410</u>	<u>\$ 16,758</u>	<u>\$ 131,222</u>	<u>\$ -</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for specific purposes
- Franchise taxes
- Sales taxes
- Tourism sales tax

Payments from the city and county

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Gain (Loss) on disposal and sale of assets

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (1,155,274)		\$ (1,155,274)	
(6,245,528)		(6,245,528)	
(1,547,494)		(1,547,494)	
(51,893)		(51,893)	
(493,957)		(493,957)	
(165,571)		(165,571)	
(631,545)		(631,545)	
115,900		115,900	
<u>(10,175,362)</u>		<u>(10,175,362)</u>	
	\$ 2,053,015	2,053,015	
	148,069	148,069	
	(21,425)	(21,425)	
	<u>2,038,784</u>	<u>2,038,784</u>	
	<u>4,216,443</u>	<u>4,216,443</u>	
<u>(10,175,362)</u>	<u>4,216,443</u>	<u>(5,958,919)</u>	
			\$ (440,130)
			<u>(377,300)</u>
			<u>(817,430)</u>
4,144,307	-	4,144,307	-
430,681	-	430,681	-
270,998	-	270,998	-
4,330,092	-	4,330,092	-
-	-	-	429,354
-	-	-	370,352
188,615	-	188,615	2,835
21,962	45,299	67,261	2,314
-	-	-	1,006
5,644	(3,358)	2,286	-
<u>1,399,896</u>	<u>(1,399,896)</u>	<u>-</u>	<u>-</u>
<u>10,792,195</u>	<u>(1,357,955)</u>	<u>9,434,240</u>	<u>805,861</u>
616,833	2,858,488	3,475,321	(11,569)
23,105,453	68,290,054	91,395,507	952,027
<u>\$ 23,722,286</u>	<u>\$ 71,148,542</u>	<u>\$ 94,870,828</u>	<u>\$ 940,458</u>

City of Greenwood, Mississippi
Balance Sheet
Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,442,141	\$ 1,836,342	\$ 3,278,483
Investments	133,462	-	133,462
Property taxes receivable, net	4,136,558	497,570	4,634,128
Other receivables	14,955	30,758	45,713
Intergovernmental receivables	659,730	239,091	898,821
Due from other funds	852,502	-	852,502
Total assets	<u>\$ 7,239,348</u>	<u>\$ 2,603,761</u>	<u>\$ 9,843,109</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 209,312	\$ 95,205	\$ 304,517
Due to other funds	73,193	257,282	330,475
Deferred revenue	4,036,642	480,919	4,517,561
Other accrued expenses	55,697	341	56,038
Other payables	16,446	20,308	36,754
Total liabilities	<u>4,391,290</u>	<u>854,055</u>	<u>5,245,345</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	1,365,027	1,365,027
Committed	-	-	-
Assigned	-	394,142	394,142
Unassigned	2,848,058	(9,463)	2,838,595
Total fund balances	<u>2,848,058</u>	<u>1,749,706</u>	<u>4,597,764</u>
Total liabilities and fund balances	<u>\$ 7,239,348</u>	<u>\$ 2,603,761</u>	<u>\$ 9,843,109</u>

City of Greenwood, Mississippi
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Assets
September 30, 2012

Total fund balance, governmental funds \$ 4,597,764

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Assets. 26,797,898

Prepaid expenses used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Assets. 24,301

Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Assets. 141,117

The assets and liabilities of certain internal service funds are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Assets. 266,183

Some liabilities, (such as Deferred Revenues, Notes Payable, Capital Leases, Contracts Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Assets. (8,104,977)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 23,722,286

City of Greenwood, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 4,144,307	\$ 430,681	\$ 4,574,988
General sales tax	4,330,092	-	4,330,092
Fees and fines	453,614	11,878	465,492
Licenses and permits	375,510	-	375,510
Intergovernmental	313,361	1,256,839	1,570,200
Charges for services	25,257	-	25,257
Investment earnings	8,837	10,389	19,226
Miscellaneous	127,588	511,128	638,716
Total revenues	<u>9,778,566</u>	<u>2,220,915</u>	<u>11,999,481</u>
EXPENDITURES			
Current:			
General government	1,298,172	51,444	1,349,616
Public safety	6,553,233	435,236	6,988,469
Public works	1,620,636	180,931	1,801,567
Health and welfare	-	85,083	85,083
Culture and recreation	400,109	201,627	601,736
Miscellaneous appropriations	534,747	96,798	631,545
Economic development and assistance	-	127,827	127,827
Debt Service:			
Principal	-	2,165,637	2,165,637
Interest and other charges	-	337,037	337,037
Capital Outlay	687,523	1,055,673	1,743,196
Total Expenditures	<u>11,094,420</u>	<u>4,737,293</u>	<u>15,831,713</u>
Excess (deficiency) of revenues over expenditures	<u>(1,315,854)</u>	<u>(2,516,378)</u>	<u>(3,832,232)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bonds	-	1,640,000	1,640,000
Proceeds from capital leases	655,663	-	655,663
Sale of real estate	19,462	-	19,462
Sale of personal property	-	-	-
Transfers in	1,179,160	702,374	1,881,534
Transfers out	(142,146)	(339,492)	(481,638)
Total other financing sources and uses	<u>1,712,139</u>	<u>2,002,882</u>	<u>3,715,021</u>
Net change in fund balances	396,285	(513,496)	(117,211)
Fund balances - beginning	2,451,773	2,263,202	4,714,975
Fund balances - ending	<u>\$ 2,848,058</u>	<u>\$ 1,749,706</u>	<u>\$ 4,597,764</u>

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City of Greenwood, Mississippi
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

Net change in fund balances - total governmental funds: \$ (117,211)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$1,743,196 exceeded depreciation \$832,980 in the current period. 910,216

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain (loss) on the sale or disposal of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold or disposed. (13,818)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 1,259

Governmental funds report bond and capital lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond and capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (130,026)

Some expenditures reported in the Governmental funds are not expenses of the current period and are reported as prepayments in the Statement of Activities:
 Prepaid insurance not reflected in the Governmental Funds 2,329

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:
 Accrued interest not reflected on Governmental funds 14,877
 Accrued compensated absences not reflected in the Governmental funds (11,399)

An internal service fund is used by management to charge the costs of certain activities, such as employee benefits to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (39,394)

Change in net assets of governmental activities \$ 616,833

See accompanying notes to the basic financial statements.

**City of Greenwood, Mississippi
Budget and Actual (with Variances)
General Fund
For the year ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis (See Note A)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 4,175,118	\$ 4,195,118	\$ 4,187,124	\$ (7,994)
Fees and fines	298,000	440,963	453,814	12,851
Licenses and permits	386,600	401,100	376,247	(24,853)
Intergovernmental	4,665,263	4,698,263	4,786,383	88,100
Charges for services	14,260	29,260	25,257	(4,003)
Investment earnings	10,000	10,000	8,837	(1,163)
Miscellaneous	260,025	144,362	132,210	(12,152)
Total revenues	<u>9,789,266</u>	<u>9,919,066</u>	<u>9,949,652</u>	<u>30,586</u>
EXPENDITURES				
General government				
Supervision and finance				
Personal services	501,689	501,689	496,025	5,664
Supplies	3,200	6,941	5,580	1,361
Other services and charges	288,376	238,316	213,808	24,508
Capital outlay	-	8,469	8,009	460
City clerk's office				
Personal services	184,399	189,219	185,830	3,389
Supplies	8,000	9,130	8,206	924
Other services and charges	39,700	41,700	34,959	6,741
Capital outlay	200	2,250	2,122	128
Capital lease expense	-	-	-	-
City hall building maintenance				
Supplies	5,000	6,955	6,488	467
Other services and charges	199,300	236,597	228,703	11,894
Capital outlay	-	1,100	1,080	20
Personnel office				
Personal services	93,773	100,351	99,776	575
Supplies	2,200	2,200	1,745	455
Other services and charges	9,578	9,578	6,009	3,569
Capital outlay	-	-	-	-
Public safety				
Police department				
Personal services	3,118,418	3,042,579	2,975,182	67,397
Supplies	239,050	294,050	291,596	2,454
Other services and charges	360,880	388,680	389,581	(901)
Capital outlay	12,408	30,717	28,084	2,633
Debt service	-	19,652	19,652	-
Municipal court				
Personal services	99,239	99,239	97,831	1,408
Supplies	3,066	4,136	3,529	607
Other services and charges	7,934	9,363	9,084	279
Capital outlay	-	-	-	-
Fire department				
Personal services	2,559,000	2,519,883	2,416,944	102,919
Supplies	67,250	95,750	90,177	5,573
Other services and charges	97,145	100,760	92,732	8,028
Capital outlay	7,000	677,813	677,691	122
Debt service	-	4,679	4,679	-
Inspection division				
Personal services	193,690	193,940	193,303	637
Supplies	9,000	9,000	7,470	1,530
Other services and charges	7,950	6,950	4,756	2,194
Capital outlay	900	1,900	1,038	862
Debt service	-	1,404	1,404	-
Public works				
Engineering division				
Personal services	112,829	94,798	85,138	9,660
Supplies	37,468	37,766	34,342	3,424
Other services and charges	11,077	11,067	8,362	2,705
Capital outlay	700	910	909	1
Debt service	-	936	936	-
Street division				
Personal services	551,826	484,367	423,703	60,664
Supplies	299,800	282,865	247,013	35,852
Other services and charges	402,500	462,600	429,985	32,615
Capital outlay	-	-	-	-
Debt service	-	8,890	8,889	1

EXPENDITURES (Continued)	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget - Positive (Negative)
Equipment maintenance division				
Personal services	254,899	259,299	259,098	201
Supplies	29,290	33,315	31,186	2,119
Other services and charges	40,700	36,676	29,159	7,516
Capital outlay	-	-	-	-
Debt service	-	2,340	2,340	-
Inventory control division				
Personal services	34,734	37,134	36,844	290
Supplies	12,100	11,800	9,440	2,160
Other services and charges	300	800	390	410
Capital outlay	-	-	-	-
Debt service	-	468	468	-
Culture and recreation				
Park division recreation				
Personal services	14,906	14,906	9,644	5,262
Supplies	14,200	20,549	19,569	980
Other services and charges	4,500	4,575	3,627	948
Capital outlay	-	4,525	4,525	-
Park division maintenance				
Personal services	227,278	241,098	228,016	13,082
Supplies	80,430	81,783	79,387	2,396
Other services and charges	43,615	46,615	43,066	3,549
Capital outlay	-	-	-	-
Debt service	-	3,276	3,276	-
Senior citizens center				
Supplies	12,350	9,850	4,222	5,428
Other services and charges	5,450	6,850	3,796	3,054
Capital outlay	-	2,000	1,159	841
Miscellaneous appropriations				
Civil defense	22,113	22,113	22,113	-
Main Street subgrant project	-	-	-	-
Main Street project	13,500	13,500	13,500	-
Boys & Girls Club Appropriations	10,000	10,000	10,000	-
Our House Appropriations	5,000	5,000	5,000	-
Greenwood Mentoring Group	5,000	5,000	5,000	-
Young Life	1,000	1,000	-	1,000
Armory	7,000	7,000	8,096	(1,096)
Library	199,837	199,837	199,945	(108)
Industrial Board	99,065	99,065	89,377	9,688
Humana Society	6,500	6,500	6,500	-
Chamber of Commerce-Christmas decorations	7,500	7,500	7,500	-
Cemetery	10,000	10,000	9,515	485
Red Cross	3,500	3,500	3,500	-
Other utility appropriations	24,000	36,000	37,809	(1,809)
Airport	96,458	96,458	96,458	-
Drug Court	5,000	5,000	5,000	-
Community Kitchen	-	5,000	5,000	-
Community Band	1,000	1,000	1,000	-
Teach for America	5,000	5,000	5,000	-
Chamber of Commerce-Fourth of July	2,500	2,500	7,500	(5,000)
Cottonlandia	7,000	7,000	7,000	-
Total Expenditures	10,830,266	11,606,798	11,154,362	452,436
Excess (deficiency) of revenues over expenditures	(1,041,000)	(1,687,732)	(1,204,710)	483,022
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	655,663	655,663	-
Transfers in	1,063,000	1,176,344	1,179,624	3,280
Transfers out	(42,000)	(144,000)	(219,505)	(75,505)
Total other financing sources (uses)	1,041,000	1,688,007	1,615,782	(72,225)
Net change in fund balances	-	275	411,072	410,797
Budgetary fund balance - beginning	1,370,724	1,370,724	1,049,312	(321,412)
Budgetary fund balance - ending	\$ 1,370,724	\$ 1,370,999	\$ 1,460,384	\$ 89,385

City of Greenwood, Mississippi
 Note A to Budgetary Comparison Schedule
 General Fund
 For the year ended September 30, 2012

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 9,949,652
Differences - budget to GAAP:	
Amounts due from the county for real, auto and mobile home ad valorem at year end are revenues for financial reporting purposes	(42,818)
Amount due to the state for sales tax at year end is revenue for financial reporting purposes	(117,413)
Amounts due from franchisees at year end is revenue for financial reporting purposes	(736)
The City did not correctly record the transfer between funds for budgetary reporting purposes	(4,020)
The City did not correctly reverse prior year revenue for funds received to purchase bulletproof vests for budgetary reporting purposes. It was reversed for the modified accrual basis.	(1,477)
The City recorded equipment rental expense for the use of the City's own machinery for the Yazoo City River Trail, but it should have been recorded as a revenue item in the General Fund	14,840
Proceeds for sale of land reported as other financing sources on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>(19,462)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,778,566</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,154,362
Differences - budget to GAAP:	
The City does not record accrued salaries for budgetary reporting purposes, only for the modified accrual basis	(50,869)
The City recorded a prior year payable for an amount already paid but not corrected for the budgetary basis	1,718
The City reversed a prior year payable on the modified accrual basis but not for the budgetary basis	(37,931)
The City recorded an additional payable for the modified accrual basis that did not meet the criteria for budgetary basis	24,325
The City recorded equipment rental expense for the use of the City's own machinery for the Yazoo City River Trail, but it should have been recorded as a revenue item in the General Fund	12,880
The City recorded non-cash expenditures for free services provided by Greenwood Utilities for Museum of Mississippi Delta.	(548)
The City recorded the cemetery appropriation as an appropriation in the budgetary process, but for the modified accrual basis, the appropriation was an operating transfer to the cemetery fund	<u>(8,515)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,094,420</u>

City of Greenwood, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2012

Enterprise Funds					
ASSETS	Sewage Enterprise Fund	Greenwood Utilities Fund	Other Enterprise Funds	Total	Internal Service Fund
Current assets:					
Cash and cash equivalents	\$ 2,383,676	\$ 2,011,133	\$ 727,941	\$ 5,122,750	\$ 411,334
Investments	-	1,427,432	-	1,427,432	-
Accounts receivable, net	-	3,635,288	-	3,635,288	-
Due from other funds	633,840	112,224	363,028	1,109,092	-
Due from other governments	435,008	104,849	94,998	634,853	-
Other receivables	-	439,606	-	439,606	-
Inventories	-	1,147,918	-	1,147,918	-
Prepaid expenses	14,582	62,923	9,719	87,224	-
Total current assets	<u>3,467,104</u>	<u>8,941,373</u>	<u>1,195,686</u>	<u>13,604,163</u>	<u>411,334</u>
Non-current assets:					
Other long-term receivables	-	68,594	-	68,594	-
Restricted Assets:					
Cash and cash equivalents	1,010,536	2,741,749	-	3,752,285	-
Investments	-	4,777,568	-	4,777,568	-
Interest receivable	-	5,228	-	5,228	-
Deferred charges - bond costs, net of amortization	109,514	-	-	109,514	-
Medical plan receivable	-	-	-	-	-
Capital Assets:					
Land and improvements	81,500	339,520	-	421,020	-
Infrastructure	18,488,523	64,346,006	-	82,834,529	-
Construction in progress	3,290,441	1,654,749	-	4,945,190	-
Buildings	781,079	3,946,765	-	4,727,844	-
Mobile equipment	1,009,616	3,182,389	1,108,096	5,298,101	-
Other equipment and furniture	308,809	1,071,112	135,900	1,515,821	-
Capital Leases	-	-	905,472	905,472	-
Less: Accumulated depreciation	(5,173,392)	(28,293,660)	(945,980)	(34,413,032)	-
Total non-current assets	<u>19,906,626</u>	<u>53,840,020</u>	<u>1,201,488</u>	<u>74,948,134</u>	<u>-</u>
Total assets	<u>\$ 23,373,730</u>	<u>\$ 62,781,393</u>	<u>\$ 2,397,174</u>	<u>\$ 88,552,297</u>	<u>\$ 411,334</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 414,784	\$ 2,302,862	\$ 45,586	2,763,242	\$ 66,186
Salaries payable	4,893	102,552	5,155	112,600	-
Accrued interest payable	37,011	-	-	37,011	-
Due to other funds	468,586	1,070,083	92,471	1,631,120	-
Payable to other governments	-	58,595	-	58,595	-
Sales tax payable	-	62,750	-	62,750	-
Other payables	-	15,905	-	15,905	-
Accrued Compensated absences	19,928	123,906	21,649	165,481	-
Capital lease obligation	-	-	173,436	173,436	-
State revolving loan payable	361,471	-	-	361,471	-
Total current liabilities	<u>1,306,671</u>	<u>3,736,633</u>	<u>338,307</u>	<u>5,381,611</u>	<u>66,186</u>
Current Liabilities Payable from Restricted Assets:					
Accounts payable	-	-	-	-	-
Revenue bonds payable	520,000	-	-	520,000	-
Customer deposits	-	1,006,379	-	1,006,379	-
Unemployment compensation allowance	-	24,000	-	24,000	-
Group medical ins claims payable	-	4,219	-	4,219	-
Total current liabilities payable from restricted assets	<u>520,000</u>	<u>1,034,598</u>	<u>-</u>	<u>1,554,598</u>	<u>-</u>
Non-current liabilities:					
Accrued compensated absences	-	281,010	-	281,010	-
Capital lease obligation	-	-	257,492	257,492	-
Revenue bonds (net of unamortized discount/premium)	3,935,469	-	-	3,935,469	-
State revolving loan payable	6,059,447	-	-	6,059,447	-
Total non-current liabilities	<u>9,994,916</u>	<u>281,010</u>	<u>257,492</u>	<u>10,533,418</u>	<u>-</u>
Total liabilities	<u>\$ 11,821,587</u>	<u>\$ 5,052,241</u>	<u>\$ 595,799</u>	<u>\$ 17,469,627</u>	<u>\$ 66,186</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 7,982,692	\$ 46,246,877	\$ 770,560	\$ 55,000,129	\$ -
Unrestricted	3,569,451	11,482,275	1,030,815	16,082,541	345,148
Total net assets	<u>\$ 11,552,143</u>	<u>\$ 57,729,152</u>	<u>\$ 1,801,375</u>	<u>\$ 71,082,670</u>	<u>\$ 345,148</u>

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City of Greenwood, Mississippi
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2012

	Enterprise Funds				
	Sewage Enterprise Fund	Greenwood Utilities Fund	Other Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 2,965,035	\$ 32,554,719	\$ 1,888,892	\$ 37,408,648	\$ 1,136,805
Reinsurance funds	-	-	-	-	1,271
Miscellaneous	-	226,504	22,353	248,857	3,044
Total operating revenues	<u>2,965,035</u>	<u>32,781,223</u>	<u>1,911,245</u>	<u>37,657,503</u>	<u>1,141,120</u>
OPERATING EXPENSES					
Personal services	714,380	-	933,230	1,647,610	-
Contractual services	431,785	-	663,205	1,094,990	-
Other supplies and expenses	164,563	-	231,157	395,720	-
Repairs and maintenance	-	-	4,453	4,453	-
Insurance claims and expenses	-	-	-	-	1,197,103
Generating expenses	-	20,798,794	-	20,798,794	-
Distribution expenses	-	2,597,202	-	2,597,202	-
General and administration expenses	-	3,794,681	-	3,794,681	-
Customer account expenses	-	362,317	-	362,317	-
Production expenses	-	417,664	-	417,664	-
Sales expenses	-	17,266	-	17,266	-
Depreciation	579,850	2,569,369	42,439	3,191,658	-
Total operating expenses	<u>1,890,578</u>	<u>30,557,293</u>	<u>1,874,484</u>	<u>34,322,355</u>	<u>1,197,103</u>
Operating income (loss)	<u>1,074,457</u>	<u>2,223,930</u>	<u>36,761</u>	<u>3,335,148</u>	<u>(55,983)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	18,053	23,947	3,299	45,299	2,736
Interest expense	(265,442)	-	(16,265)	(281,707)	-
Amortization of bond premium(discount)	1,294	-	-	1,294	-
Amortization of bond issuance cost	(2,808)	-	-	(2,808)	-
Expenses paid for the city	-	(45,584)	-	(45,584)	-
Utility appropriations to Greenwood Public Schools	-	(180,302)	-	(180,302)	-
Utility appropriations to Greenwood-Leflore Industrial Board and others	-	(11,260)	-	(11,260)	-
Gain (loss) on disposal and sale of equipment	-	(3,358)	-	(3,358)	-
Miscellaneous revenue	-	-	-	-	-
Total non-operating revenue (expenses)	<u>(248,903)</u>	<u>(216,557)</u>	<u>(12,966)</u>	<u>(478,426)</u>	<u>2,736</u>
income (loss) before contributions and transfers	825,554	2,007,373	23,795	2,856,722	(53,247)
Capital & operating grants and contributions	1,250,321	50,000	113,055	1,413,376	-
Transfers in	1,574,976	-	131,752	1,706,728	-
Transfers out	(1,250,321)	(1,705,804)	(150,499)	(3,106,624)	-
Change in net assets	2,400,530	351,569	118,103	2,870,202	(53,247)
Total net assets - beginning	9,151,613	57,377,578	1,683,272	68,212,463	398,395
Total net assets - ending	<u>\$ 11,552,143</u>	<u>\$ 57,729,147</u>	<u>\$ 1,801,375</u>	<u>\$ 71,082,665</u>	<u>\$ 345,148</u>

Change in net assets, per above \$ 2,870,202
Internal service funds are used by management to
charge the costs of certain activities to individual funds.
The net revenue (expense) of certain internal service
funds is reported with Business Activities. (11,714)
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements \$ 2,858,488

City of Greenwood, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

	<u>Sewage Enterprise Fund</u>	<u>Greenwood Utilities Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities					
Receipts from customers and users	\$ 2,965,035	\$ 31,265,447	\$ 2,011,736	\$ 36,242,218	\$ -
Receipts from Greenwood Public Schools	-	486,956	-	486,956	-
Receipts from the Greenwood-Leflore Industrial Board and other agencies	-	4,097	-	4,097	-
Receipts from other funds	8,224	607,539	-	615,763	-
Receipts from interfund services provided	-	-	-	-	1,138,805
Receipts from loss claims recoveries	-	-	-	-	9,226
Receipts for sewer & solid waste collections for others	-	5,337,647	-	5,337,647	-
Receipts from customer meter deposits	-	175,744	-	175,744	-
Receipts from other revenue	-	239,247	22,353	261,600	3,044
Payments for loss claims	-	-	(21,425)	(21,425)	(1,347,337)
Payments to suppliers for goods and services	(293,061)	(22,076,215)	(948,940)	(23,318,216)	-
Payments to employees	(711,814)	(5,393,870)	(914,620)	(7,020,304)	-
Payments to other governments	(435,006)	-	-	(435,006)	-
Payments for sewer and solid waste collections for others	-	(5,392,650)	-	(5,392,650)	-
Payments for customer meter deposit refunds	-	(142,146)	-	(142,146)	-
Payments for interfund services used	448,858	-	(84,625)	364,333	-
Net cash provided by (used for) operating activities	<u>1,962,336</u>	<u>5,111,796</u>	<u>64,479</u>	<u>7,156,611</u>	<u>(198,260)</u>
Cash flows from noncapital financing activities					
Transfers from other funds	1,574,976	-	131,752	1,706,728	-
Transfers to Greenwood Public Schools	-	(180,302)	-	(180,302)	-
Transfers to the Greenwood-Leflore Industrial Board and other agencies	-	(5,600)	-	(5,600)	-
Transfers to other funds	(1,250,321)	(1,757,048)	(150,489)	(3,157,868)	-
Net cash provided by (used for) noncapital financing activities	<u>324,655</u>	<u>(1,942,950)</u>	<u>(18,747)</u>	<u>(1,637,042)</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(3,378,999)	(3,572,900)	(147,447)	(7,100,346)	-
Proceeds from sales of capital assets/scrap metal	-	7,853	-	7,853	-
Capital & operating grants & contributions received	1,250,321	50,000	113,055	1,413,376	-
Proceeds from revenue bonds	4,405,000	-	-	4,405,000	-
Principal paid on capital debt	(5,082,919)	-	(168,165)	(5,251,084)	-
Interest paid on capital debt	(253,731)	-	(16,265)	(269,996)	-
Bond premium	51,763	-	-	51,763	-
Bond issuance cost	(109,514)	-	-	(109,514)	-
Net cash provided (used) for capital and related financing activities	<u>(3,119,079)</u>	<u>(3,515,047)</u>	<u>(216,622)</u>	<u>(6,852,948)</u>	<u>-</u>
Cash flows provided by (used for) investing activities					
Purchase of investment securities	-	(7,730,000)	-	(7,730,000)	-
Proceeds from sale and maturities of investment securities	-	3,025,000	-	3,025,000	-
Interest on investments	18,053	20,391	3,299	41,743	2,736
Net cash provided by (used for) investing activities	<u>18,053</u>	<u>(4,684,609)</u>	<u>3,299</u>	<u>(4,663,257)</u>	<u>2,736</u>
Net increase (decrease) in cash and cash equivalents	<u>(794,035)</u>	<u>(5,030,810)</u>	<u>(169,791)</u>	<u>(5,994,636)</u>	<u>(195,523)</u>
Cash and cash equivalents at beginning of year	4,188,247	9,783,692	897,732	14,869,671	606,657
Cash and cash equivalents at end of year	<u>\$ 3,394,212</u>	<u>\$ 4,752,882</u>	<u>\$ 727,941</u>	<u>\$ 8,875,035</u>	<u>\$ 411,334</u>

	<u>Sewage Enterprise Fund</u>	<u>Greenwood Utilities Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,074,457	\$ 2,223,930	\$ 36,761	\$ 3,335,148	\$ (55,983)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation expense	579,650	2,569,369	42,439	3,191,658	-
Provision for bad debts	-	11,261	-	11,261	-
(Increase) decrease in accounts receivables, net	-	997	-	997	7,957
(Increase) decrease in due from other governments	(435,006)	(42,667)	106,711	(371,182)	-
(Increase) decrease in due from other funds	8,223	(49,625)	18,133	(25,269)	-
(Increase) decrease in other receivables	-	(97,723)	-	(97,723)	-
(Increase) decrease in inventories	-	705,660	-	705,660	-
(Increase) decrease in prepaid expenses	(1,397)	52,908	(931)	50,580	-
(Increase) decrease in restricted group medical insurance claims receivable	-	-	-	-	-
Increase (decrease) in accounts payable	304,684	(148,869)	(49,194)	106,621	(150,234)
Increase (decrease) in accrued salaries & benefits payable	257	(12,429)	(556)	(12,728)	-
Increase (decrease) in customer deposits	-	33,598	-	33,598	-
Increase (decrease) in accrued compensated absences	2,309	(70,149)	(2,259)	(70,099)	-
Increase (decrease) in due to other funds	448,959	(2,921)	(84,625)	361,413	-
Increase (decrease) in due to other governments	-	(5,799)	-	(5,799)	-
Increase (decrease) in collections for other governments	-	(11,244)	-	(11,244)	-
Increase (decrease) in sewer and solid waste collected for the city	-	(43,759)	-	(43,759)	-
Increase (decrease) in other payables	-	1,481	-	1,481	-
Increase (decrease) in sales tax payable	-	(5,325)	-	(5,325)	-
Increase (decrease) in restricted medical insurance claims payable	-	3,282	-	3,282	-
Increase (decrease) in restricted accounts payable	-	-	-	-	-
Total adjustments	907,879	2,887,866	27,718	3,823,463	(142,277)
Net cash provided by operating activities	\$ 1,982,336	\$ 5,111,796	\$ 64,479	\$ 7,158,611	\$ (198,260)

Noncash investing, capital and financing activities:

During the year, Greenwood Utilities and the Sewage Enterprise Fund did not receive any noncash capital contributions from developers consisting of water and electric distribution and sewer distribution infrastructure.

Reconciliation of total cash and cash investments:

Current assets - cash and cash investments	\$ 2,383,676	\$ 2,011,133	\$ 727,941	5,122,750	\$ 411,334
Restricted assets - cash and cash investments	1,010,536	2,741,749	-	3,752,285	-
Total cash and cash investments	\$ 3,394,212	\$ 4,752,882	\$ 727,941	\$ 8,875,035	\$ 411,334

City of Greenwood, Mississippi
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2012

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 365,677
Property taxes receivable	5,562,279
	<hr/>
Total assets	\$ 5,927,956
	<hr/> <hr/>
LIABILITIES	
Due to other governments	\$ 196,319
Accrued payroll taxes and benefits payable	165,631
Deferred revenue	5,562,279
Other liabilities	3,727
	<hr/>
Total liabilities	\$ 5,927,956
	<hr/> <hr/>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL STATEMENT

The City of Greenwood, Mississippi, (the City) is incorporated under the laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (City Council) elected from wards. The City's major operations include police and fire protection, public works, parks and recreation and general administrative services. In addition, the City owns and operates an electric and water utility system.

The Mississippi Delta is an agricultural based economy. The economic stability of the taxpayers and utility customers of the City of Greenwood is significantly affected by this environment.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Greenwood has three component units as described below.

Blended Component Unit:

Greenwood Utilities is a municipal-owned utility system, consisting of electrical and water production and distribution and is not legally separate from the City. The City of Greenwood holds the utilities' corporate powers, and the Mayor appoints all three Utility Commission members subject to council approval.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Greenwood Utilities is presented as a proprietary fund type and operates on a September 30 fiscal year. Complete financial statements for the Greenwood Utilities may be obtained at its administrative office located at 101 Wright Place, Greenwood, Mississippi.

Discretely Presented Component Units:

The Greenwood Tourism Commission was established by Chapter 813, local and private laws of 1989, of the Mississippi legislature and is legally separate from the City. The act has been extended and amended in 1994 and 1999 by the Mississippi legislature. The Mississippi House of Representatives passed a new bill, House Bill 1569, which extends the funding of the Greenwood Tourism Commission until September 30, 2014. The Mayor appoints seven of the thirteen members of the Tourism Commission subject to Council approval. The City Council approves the Tourism's budget. The Greenwood Tourism Commission is presented as a governmental fund type. Complete financial statements for the Tourism Commission may be obtained at its administrative office located at 111 Market Street, Greenwood, Mississippi.

The Greenwood-Leflore Public Library was established under Section 39-3-8 of the Mississippi Code of 1942, as annotated and is legally separate from the City. The Mayor appoints three of the five members on the library board subject to Council approval. The City Council makes annual appropriations along with county appropriations necessary to fund the library's operations. The Greenwood-Leflore Public Library is presented as a governmental fund type. Complete financial statements for the Greenwood-Leflore Public Library may be obtained at its administrative office located at 405 West Washington, Greenwood, Mississippi.

The following organizations for which the City is not considered financially accountable have been excluded from the accompanying financial statements. Each agency is fiscally independent from the City, issues its own debt, approves its own budget, and sets its own rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

- Greenwood Public Schools, 401 Howard Street, Greenwood, MS 38930
- Greenwood-Leflore Airport, 502A Airport Road, Greenwood, MS 38930
- Greenwood Housing Authority, 111 East Washington, Greenwood, MS 38930
- Greenwood-Leflore Industrial Board, 402 Hwy 82, Greenwood, MS 38930
- Greenwood-Leflore Hospital, 1401 River Road, Greenwood, MS 38930

B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's sewer, solid waste,

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

and electric and water utilities are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (police, fire, public works, etc.) and business-type activities. The Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

The government-wide focus is more on the sustainability of the City as an entity and the changes in the City's net assets resulting from the current year's activities. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary agency funds, even though the latter are excluded from the government-wide financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in their fund financial statements.

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 City's proprietary funds and of the City's internal service fund are charges to customers for sales and services. Operating expenses for the proprietary funds and internal service fund include the cost of sales and services, direct administrative services, and depreciation on capital assets. All revenues and expenses not meeting

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds are used to report resources in a purely custodial capacity (assets equal liabilities). So, agency funds cannot be said to have a measurement focus, however, they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Sewage Enterprise Fund - This fund accounts for activities associated with the provision of sewer services to individuals, organizations and other governmental units within and around the City.

Greenwood Utilities Fund - This fund accounts for activities associated with the provision of electric and water services to individuals, organizations and other governmental units within and around the City.

Additionally, the City reports the following fund types:

The *Internal Service fund* is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fiduciary funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The purpose of the City's agency funds is to collect and remit to the related organizations various revenues.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statement. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. ASSETS, LIABILITIES AND NET ASSETS AND EQUITY

1. Cash and Cash Equivalents

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

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Investments

Investments, consisting only of certificates of deposit with a maturity date greater than ninety days of the date acquired, are stated at cost. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. government.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Investments owned during the year were the same as those held at year-end.

4. Restricted Assets

Greenwood Utilities restricted assets are the "customer deposits" account, "unemployment compensation" account, "capital improvement reserve" account, "electric rate stabilization reserve" account, "water rate stabilization reserve" account, "disaster and emergency reserve" account, "litigation contingent reserve" account, "capacity purchase reserve" account, "Wright Station capacity reserve" account, and "group medical" account. The "customer deposits" account is used to segregate refundable customer deposits collected and held in trust until refunded or applied to the customer's account. The "unemployment compensation" account is used to report resources set aside, as required by the Mississippi Employment Security Commission, to meet unemployment compensation claims relating to the period as a reimbursable employer. The "capital improvement reserve" account is used to report resources set aside to replace units of property that have exceeded their useful life and for capital improvements to the system to meet growth. The "rate stabilization reserve" account is used to report resources set aside to allow gradual increases in rates rather than sharp increases. A sharp increase may be caused by unforeseen higher purchased power cost or a rapid increase in fuel cost. The "disaster and emergency reserve" account is used to report resources set aside to provide emergency repairs or replacements of capital assets damaged or destroyed by catastrophic acts or other disasters. The "litigation contingent reserve" account is used to finance litigation. The "capacity purchase reserve" account is used to assist in the funding of any future purchase of capacity or installation of generating facilities. The "group medical" account is used to finance medical claims under the utilities self-insured medical plan.

Sewage Enterprise restricted assets consist of revenue, operation and maintenance, and debt service funds as well as deferred charges for bond issuance costs.

5. Inventories

Inventory in the Greenwood Utilities Fund is valued using the average cost method of inventory valuation. The inventory is accounted for using the consumption method and is not charged out until used. The inventory consists of major stores of materials and supplies held at a central location. The user departments and other funds of the City are charged for the cost value of items as they are withdrawn from inventory. Any damaged or obsolete inventory is valued at fair market value.

6. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The cost of normal maintenance and repairs that does not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures during the construction period are capitalized on capital assets.

The City's classes of capital assets and their capitalization levels are: land - cost or fair market value; buildings and building improvements -

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

\$50,000; improvements other than buildings - \$25,000; machinery and equipment - \$5,000; mobile equipment - \$10,000; and infrastructure - cost or fair market value.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 years
Improvements other than buildings	20 years
Electric, water and sewer system	25-50 years
Infrastructure	20-50 years
Heavy machinery and equipment	10-12 years
Other furniture and equipment	7 years
Vehicles	5 years
Computer equipment and peripherals	3 years

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), sidewalks, etc.

7. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide goods or services occurring in the subsequent fiscal year.

8. Compensated Absences

City of Greenwood:

The City accrues accumulated unpaid personal leave and associated employee-related costs when earned (or estimated to be earned) by employees up to 80 hours for less than 10 years of service and 120 hours for more than 10 years of service. For the proprietary funds and the government-wide statements, the current portion is the amount estimated for use in the following year. In accordance with GAAP, for the governmental funds, in the funds financial statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represent a reconciling item between the fund level and government-wide presentation. The compensated absences liability is liquidated by the following funds: general fund, special revenue, sewer and solid waste.

Unused sick leave is not paid upon termination, but will be paid only upon illness while in the employment of the City.

Greenwood Utilities:

Personnel policies of Greenwood Utilities allow for ten days of vacation per year after one year of continued employment and fifteen days of vacation after ten years of continued employment. No payment of accrued personal leave is paid upon termination of employment; therefore, all personal leave is taken before resigning or retiring. Payment of accrued medical leave is authorized only when the employee retires; no payment is made upon termination or resignation.

At September 30, 2012, Greenwood Utilities has recorded both the current and long-term portion of the accumulated unpaid personal leave that is expected to be paid. The liability for accrued vacation is computed

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

using the specific identification method whereby the actual number of vacation leave hours accumulated by each employee is multiplied by the employee's hourly rate at September 30, 2012. The liability for medical leave is computed using the specific identification method whereby the actual number of medical leave hours accumulated by each employee, for all employees with 20 years or more service, is multiplied by the employee's hourly rate at September 30, 2012. The resulting liability to each employee is then increased to include social security, for both accrued vacation and medical, and retirement contributions, for accrued vacation, the employer is required by law to pay as a percentage of compensation upon liquidation of the liability for accumulated personal leave.

9. Bond discounts, Bond Premiums and Issuance Costs

In the governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

10. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are recognized at the levy date. All property taxes are billed, collected and recognized as revenue within the same period for which they are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense 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 funds and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

12. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when the inventory items are consumed, rather than in the period purchased.

13. Reserves and Designations

Portions of fund equity are segregated for future use and, therefore, are not available for future appropriations or expenditure. An amount reserved for debt service represents portions of fund equity that are required to be segregated in accordance with bond resolutions. The unreserved designated fund balance of the Capital Project Funds is appropriated for expenditures in future years.

14. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

15. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the city

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city charger, ordinance and resolution) it employed previously to commit those amounts.

Assigned - This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City has not adopted a fund balance policy as of September 30, 2012.

Unassigned - This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

16. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 6.

17. Post-Employment Health Care and Life Insurance Benefits

The City and Greenwood Utilities do not incur costs associated with post-employment benefits for retired employees. The City allows all vested employees to continue in the group plan after retirement; however, the retired employees pay 100% of the premiums.

18. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

19. New Accounting Pronouncements

During the fiscal year 2012, the City implemented the following GASB pronouncements:

In June 2011, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2011. In conjunction with the 2012 fiscal year audit, a review was made relating to the requirements of this statement. The adoption of this statement is not felt to have an impact upon the City's financial statements.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* - an amendment of GASB Statement No. 53. This Statement enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this statement are effective for periods beginning after June 15, 2011. The adoption of this statement is not felt to have any impact upon the City's financial statements.

The City will adopt the following new accounting pronouncements in future years:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs). It improves financial reporting by establishing recognition, measurement and SCA disclosure requirements for both transferors and governmental operators. The requirements of Statement 60 are effective for periods beginning after December 15, 2011. The City is in the process of reviewing & evaluating this statement & its potential impact on the City's financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus* - an amendment of GASB Statements No. 14 and No.34. This Statement includes amendments to GASB Statement No. 14 and GASB Statement No. 34 that better address user needs and reporting entity issues that arose after the issuance of those Statements. Statement 61 modifies requirements for inclusion of component units, amends the criteria for reporting components and clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for periods beginning after June 15, 2012. Early application is encouraged. This Statement will not have a significant impact on the City.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates generally accepted accounting principles for state and local governments issued from all sources that do not conflict with, or contradict GASB pronouncements, into one. This Statement supersedes GASB Statement No. 20 and eliminates the election in paragraph 7 of Statement No. 20 that allowed enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with GASB pronouncements. The requirements of this Statement are effective for periods beginning after December 15, 2011. Early application is encouraged. This Statement will not have a significant impact on the City.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement calls for deferred outflows of resources to be reported separately from assets, and for deferred inflows of resources to be reported separately from liabilities. The net difference between these elements are described as net position, rather than as net assets. The requirements of this Statement are effective for periods that ends December 31, 2012. This Statement will not have a significant impact on how the City reports its net position.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

In April 2012, GASB issued Statement No. 65, *Elements of Financial Statements*. This Statement specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of this Statement are effective for periods beginning after December 15, 2012. This Statement will not have a significant impact on the City.

In April 2012, GASB issued Statement No. 66, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This Statement amends Statement No. 10 by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The requirements of this Statement are effective for periods beginning after December 15, 2012. The Statement will not have a significant impact on the City.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The City Clerk prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by August of each year.
3. The City Clerk reviews expenditure budgets, and necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.
7. The City prepares annual budgets for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Internal Service Fund. Budgets for the Enterprise Funds are prepared on a modified-cash basis excluding depreciation and bad debt expense and including debt retirement payments. Budgets for the General Fund, Special Revenue Funds, Debt Service Funds, Internal Service Fund and Capital Projects Funds are prepared in accordance with state law. State law requires that the City's budget be prepared on a modified-cash basis of accounting. All revenue is accounted for under the cash basis. Claims that have been incurred prior to the end of the year and are paid before October 31 are charged against the current year's budget. If the claim is incurred prior to the end of the year but paid after October 30, it is charged against the budget for the subsequent year. This required budgetary basis is not considered a U. S. generally accepted accounting principal. Budget and actual comparisons are presented in the accompanying financial statements for all governmental activities that are considered to be major funds under GASB 34 guidelines.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- Revenues are reviewed and projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

- All new appropriations must be approved by the City Council and are normally submitted by the Mayor's office.

The legal level of control for all budgets adopted is at the category level by fund with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. The City Clerk advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts as originally adopted were amended by the City Council as provided by law, as follows:

	Originally Adopted Budget	Budget As Amended	Increase (Decrease)
General Fund	\$ 10,872,266	\$ 11,750,797	\$ 878,531
Other General Funds	717,200	885,288	168,088
Special Revenue Funds	263,670	2,842,839	2,579,169
Debt Service Funds	851,609	927,034	75,425
Enterprise Funds	5,019,237	13,347,390	8,328,153
Internal Service Fund	1,372,786	1,372,786	-
	<u>19,096,768</u>	<u>31,126,134</u>	<u>12,029,366</u>

The above figures do not include the budgets for Greenwood Utilities, the Greenwood Tourism Commission, or the Greenwood-Leflore Public Library since they are not budgeted by the City Council.

9. Unexpended appropriations lapse at year-end in all funds.

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

10. Expenditures over appropriations at the legal level of budgetary control are as follows:

	Budget	Actual	Overage
General Fund			
Library Appropriations	\$ 199,837	\$ 199,945	\$ 108
Chamber of Commerce - Fourth of July	\$ 2,500	\$ 7,500	\$ 5,000
Operating Transfers Out	\$ 144,000	\$ 219,505	\$ 75,505
Community Center			
Personal Services	\$ 2,007	\$ 2,073	\$ 66
Special Projects Fund			
Transfers out	\$ 280,000	\$ 339,408	\$ 59,408
Yazoo River Trail			
Personal Services	\$ 11,561	\$ 23,768	\$ 12,207
Supplies	\$ 8,890	\$ 23,107	\$ 14,217
Baptist Town Revitalization			
Supplies	\$ -	\$ 10,791	\$ 10,791

B. Deficit Fund Equity

The City of Greenwood had a deficit fund equity in the following individual fund at year end:

Police Seizure	\$9,463
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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS:

A. Deposits and Investments

1. Policies and Practices

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

2. Deposits

At year-end, the carrying amount of the City's deposits was \$7,673,985, and the bank balances totaled \$8,372,363. Of the bank balances, \$304,344 was insured by federal deposit insurance and \$8,068,019 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

At year-end, the carrying amount of the Greenwood Utilities' deposits was \$10,948,182 and the bank balances totaled \$11,478,182. Of the bank balances, \$500,100 was insured by federal deposit insurance and \$10,978,082 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

At year-end, the carrying amount of the Tourism's deposits was \$337,671, and the bank balances totaled \$343,593. Of the bank balances, \$295,143 was insured by federal deposit insurance and \$48,450 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

As of September 30, 2012, the Library's deposits with financial institutions were fully collateralized in accordance with Mississippi state law.

The Library's cash was restricted at September 30, 2012, for the following purposes:

1. On January 1, 1978, coverage under the Employment Security Law was extended to state and local government units. The law requires that an unemployment account be maintained with a balance of not less than 2% of the covered wages paid during the next preceding calendar year. The account maintained by the Library at CB&S Bank in an interest bearing Public Fund Savings Account has a current balance in excess of the \$2,884 required minimum balance.

2. On November 10, 2004, the Library received a check in the amount of \$9,379, which represented the termination of the Mae Wilson McBee Trust. Established in 1968, the Trust was administered by Trustmark National Bank. As beneficiary, the Library received the earnings of the Trust for enhancement of the Library's genealogical section. Due to the rising cost of administering small trusts, Trustmark National Bank petitioned the court in 2004 to terminate the trust and disburse the remaining principal to the Library. Under the court order, the Library is to use the assets in "strict compliance with the purpose of the trust." Accordingly, the Library intends to expend the funds on

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

genealogy purchases. In the years ended September 30, 2005, through September 30, 2012, the Library had genealogical purchases totaling \$3,424, leaving \$5,955 of the McBee funds remaining to be spent.

3. In the year ended September 30, 2004, the Library received a \$10,000 bequest to establish the Frank Kerr Memorial Fund. Only the income from the fund may be used and is restricted to purchasing books for the Library.

4. In 2009 and 2010, the Library received testamentary bequests of \$96,808 from the Estate of Julia Osterman, restricted for the purchase of Christian related materials. In the years ended September 30, 2009 through September 30, 2012, the Library recorded Christian book purchases of \$49,181, leaving \$47,627 of funds restricted for future purchases of Christian themed materials.

3. Investments

The City and its component units had no investments other than certificates of deposit for the current fiscal year but is eligible to invest as described below.

Following is a list of the City's eligible investments, which in accordance with state statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer

- Bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables

Receivables at September 30, 2012, for the primary government's individual major funds and nonmajor and internal service funds in the aggregate (including its blended component unit, Greenwood Utilities), including the applicable allowances for uncollectible accounts, are as follows (amounts are expressed in thousands):

	General	Other Governmental Funds	Sewage Enterprise Fund	Greenwood Utilities	Other Enterprise Funds	Total
Accounts	\$ -	\$ -	\$ -	\$ 3,849	\$ -	\$ 3,849
Accounts, other governments	-	-	-	-	-	-
Intergovernmental	660	239	435	105	95	1,534
Property Taxes Receivable	4,237	514	-	-	-	4,751
Other	15	31	-	440	-	486
Gross Receivables	4,912	784	435	4,394	95	10,620
Less: allowance for doubtful accounts	100	17	-	214	-	331
Total	\$ 4,812	\$ 767	\$ 435	\$ 4,180	\$ 95	\$ 10,289

Receivables for Greenwood Utilities are reported net of uncollectible amounts. \$214,117 was determined to be uncollectible for the current year.

1. Property taxes

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on January 1 for the preceding fiscal year. Leflore County bills and collects the real, personal, public utilities and auto ad valorem taxes for the City of Greenwood and Greenwood Public School District. The taxes are remitted monthly following the month in which they are collected. Leflore County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made; one-half of the balance is due on February 1 and one-fourth each on May 1 and August 1.

Property taxes receivable	\$ 4,784,050
Less: Allowance for doubtful accounts	<u>149,922</u>
 Total property taxes receivable, net	 <u><u>\$ 4,634,128</u></u>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

Tax millage levies for 2011 were collected in the current fiscal year and statutory maximum millage rates were as follows:

Fund	Levy (in mills)	Purpose	Maximum
General Fund	38.48	General	None
Debt Service Fund	4.16	Debt retirement	None
Disability & Relief Fund	5.62	Retirement	None
Total City of Greenwood	<u>48.26</u>		
Greenwood Public Schools:			
District Maintenance	50.25	Public schools	None
Total Greenwood Public Schools	<u>50.25</u>		
Total millage rate	<u><u>98.51</u></u>		

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	Unearned
Current year tax assessments (all funds)	\$ 4,360,839
Total unearned revenue for governmental funds	<u><u>\$ 4,360,839</u></u>

2. Sales Taxes

The State levies a 7% sales tax on retail sales and remits these collections to the City monthly. Intergovernmental revenue of the General Fund includes \$4,330,092 of sales tax revenue.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Changes in Capital Assets

1. Primary government capital asset activity for the year ended September 30, 2012, was as follows (amounts are expressed in thousands):

	Balance 9/30/11	Additions	Deletions	Transfers	Balance 9/30/12
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,367	-	\$ -	-	\$ 3,367
Capital leases	289	656	-	-	945
Construction-in-progress	1,614	907	-	(1,665)	856
Total capital assets not being depreciated	5,270	1,563	-	(1,665)	5,168
Capital assets being depreciated:					
Infrastructure	21,191	-	-	1,390	22,581
Buildings & improvements	7,836	-	-	275	8,111
Equipment & furniture	818	39	-	-	857
Mobile equipment	3,727	141	138	-	3,730
Total capital assets being depreciated	33,572	180	138	1,665	35,279
Less accumulated depreciation for:					
Infrastructure	7,588	426	-	-	8,014
Buildings & improvements	2,088	159	-	-	2,247
Equipment & furniture	437	63	-	-	500
Mobile equipment	2,826	185	123	-	2,888
Total accumulated depreciation	12,939	833	123	-	13,649
Total capital assets being depreciated, net	20,633	(653)	15	1,665	21,630
Total governmental activities capital assets, net	\$ 25,903	910	\$ 15	\$ -	\$26,798

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

	Balance 9/30/11	Additions	Deletions	Transfers	Balance 9/30/12
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 340	81	\$ -	\$ -	\$ 421
Capital leases	905	-	-	-	905
Construction-in-progress	1,390	3,555	-	-	4,945
Total capital assets not being depreciated	2,635	3,636	-	-	6,271
Capital assets being depreciated:					
Infrastructure	89,026	2,645	-	(8,836)	82,835
Buildings & improvements	6,269	5	-	(1,546)	4,728
Equipment & furniture	1,775	303	-	(532)	1,546
Mobile equipment	4,980	511	109	(84)	5,298
Total capital assets being depreciated	102,050	3,464	109	(10,998)	94,407
Less accumulated depreciation for:					
Infrastructure	33,611	2,647	-	(8,836)	27,422
Buildings & improvements	3,996	109	-	(1,546)	2,559
Equipment & furniture	1,287	127	-	(532)	882
Mobile equipment	3,454	309	98	(84)	3,581
Total accumulated depreciation	42,348	3,192	98	(10,998)	34,444
Total capital assets being depreciated, net	59,702	272	11	-	59,963
Total governmental activities capital assets, net	\$ 62,337	3,908	\$ 11	\$ -	\$66,234

ENCLOSURE

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

2. Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

General government	\$	18,410
Public safety		211,509
Public works		433,366
Culture and recreation		16,962
Economic development and assistance		<u>152,733</u>

Total depreciation expense - governmental activities	\$	<u>832,980</u>
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Business-type activities:

Sewage enterprise	\$	579,850
Greenwood utilities		2,569,369
Non-major business-type activities		<u>42,439</u>

Total depreciation expense - business-type activities	\$	<u>3,191,658</u>
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3. Construction work-in-progress is composed of the following:

Project	Spent-to-date	Remaining Commitment
Governmental-type activities:		
MDOT Street Project - Main Street	\$ 856,590	\$ 284,260
Total	<u>\$ 856,590</u>	<u>\$ 284,260</u>
Business-type activities:		
Waste Water Treatment Facility	\$ 1,645,336	\$ 37,479,664
24" Sewer Main Project	1,380,321	921,223
Mississippi Valley State Force Main	264,784	-
Greenwood Utilities:		
North Greenwood Water Supply Well	544,363	-
Northwest Water Supply Well	46,833	491,087
Water Crew Building	13,450	-
Water System Renovation	403,409	20,000
H2 Controls McElroy - Henderson Station	115,938	347,816
Generator Rewind - Henderson Station	446,158	365,038
Coal Pile Runoff - Henderson station	<u>84,598</u>	<u>-</u>
Total	<u>\$ 4,945,190</u>	<u>\$ 39,624,828</u>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

4. A summary of changes in capital assets for component units is as follows (amounts are expressed in thousands):

	Balance 9/30/11	Additions	Deletions	Adjustments	Balance 9/30/12
Capital assets being depreciated:					
Building improvements	\$ 172	\$ -	\$ -	\$ -	\$ 172
Books & materials	697	54	-	-	751
Mobile equipment	15	-	-	-	15
Equipment & furniture	281	30	-	-	311
Total capital assets being depreciated	1,165	84	-	-	1,249
Less accumulated depreciation for:					
Buildings & improvements	136	6	-	-	142
Books & materials	562	54	-	-	616
Mobile equipment	14	-	-	-	14
Equipment & furniture	242	17	-	-	259
Total capital assets being depreciated, net	954	77	-	-	1,031
Total capital assets, net	\$ 211	\$ 7	\$ -	\$ -	\$ 218

Depreciation expense was charged to activities as follows:

Library	\$ 77,280
Tourism Commission	-
Total	<u>\$ 77,280</u>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Interfund Receivables, Payables, and Transfers

Individual fund interfund receivable and payable balances as of September 30, 2012, follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 852,502	\$ 73,193
Nonmajor governmental funds		
Urban Youth Corps Project	-	32,757
Safe Routes to School	-	6,363
Domestic Violence Grant	-	2,516
DUI Grant	-	20,189
Edward Byrne Machinery & Equipment	-	15,085
COPS Grant	-	7,828
American Recovery & Reinvestment	-	2,891
Surface Transportation Project	-	49,938
Drug Court Grant	-	5,695
Milwaukee DIP Project	-	12,658
Yazoo River Trail	-	79,229
Baptist Town Revitalization	-	18,205
Viking Cap Loan Debt Service	-	3,927
Total Governmental Funds	852,502	330,474
Sewage Enterprise	633,840	468,586
Greenwood Utilities	112,224	1,070,063
Nonmajor proprietary funds		
Solid Waste Assistance Grant (Skid Steer)	-	43,875
Solid Waste Assistance Grant	-	48,596
Solid Waste Enterprise	363,028	-
Total Proprietary Funds	1,109,092	1,631,120
Total All Funds	\$ 1,961,594	\$ 1,961,594

- The Sewage Enterprise and Solid Waste Enterprise receivables are for monies collected by Greenwood Utilities at year-end but not yet remitted.
- The Greenwood Utilities receivable is money due from the City for electric and water services. An equal amount for the General Fund and Sewage Enterprise Fund is due to Greenwood Utilities for free utility services.
- The other receivables and payables are temporary advances from one fund to another fund for cash flow purposes until the other fund receives funding from outside sources.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

Transfers in/transfers out for the primary government follows:

	Transfer In	Transfer Out
General Fund	\$ 1,179,160	\$ 142,146
Nonmajor governmental funds		
Community Center Fund	1,500	-
Cemetery Project	9,515	-
Special Projects Fund	304,500	339,408
Youth Summer Fund	31,850	-
Industrial Properties Fund	-	-
Industrial Rent #13	-	-
Urban Youth Corp Project	8,189	-
Fire Protection Fund	-	-
Milwaukee DIP Project	-	-
Domestic Violence Grant	10,553	-
Transportation Enhancement Grant	-	84
Yazoo River Trail	42,539	-
Surface Transportation Project	283,728	-
Milwaukee DIP Project (PH)	10,000	-
Total Governmental Funds	<u>1,881,534</u>	<u>481,638</u>
Sewage Enterprise	1,574,976	1,250,321
Greenwood Utilities	-	1,705,804
Nonmajor proprietary funds		
Solid Waste Assistance Grant	-	59,259
Solid Waste Assistance Grant (Skid Steer)		39,540
Solid Waste Enterprise	106,752	51,700
Unemployment Insurance Fund	25,000	-
	<u>1,706,728</u>	<u>3,106,624</u>
	<u>\$ 3,588,262</u>	<u>\$ 3,588,262</u>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

Interfund transfers at September 30, 2012 consisted of the following:

\$	10,553	From General Fund to Domestic Violence for match funds.
	31,850	From General Fund to Youth Summer Fund Recreation Program to subsidize operations.
	9,515	From General Fund to Cemetery Fund to subsidize operations.
	10,000	From General Fund to Milwaukee DIP Project for industrial expansion.
	25,000	From General Fund to Unemployment Insurance to subsidize claims paid.
	8,189	From General Fund to Urban Youth Corp Project for match funds.
	283,728	From Special Projects Fund to Surface Transportation Project for match on STP project to mill & overlay streets.
	42,539	From General Fund to the Yazoo River Trail Fund for match funds.
	55,680	From Special Projects Fund to Sewage Enterprise Fund (\$6,083), Solid Waste Enterprise Fund (\$7,953), and General Fund (\$41,644) for operating lease payments.
	84	From Transportation Enhancement Grant to General Fund for overpayment on match funds.
	51,700	From Solid Waste Enterprise to General Fund for refurbishing street sweeper.
	4,500	From General Fund to Special Projects Fund to reimburse Special Projects Fund for MS Tennis Association Grant funds used to resurface tennis court.
	59,259	From Solid Waste Assistance Grant to Solid Waste Enterprise for recycling fixed assets.
	39,540	From Solid Waste Assistance Grant to Solid Waste Enterprise for skid steer.
	1,250,321	From 24" Sewer Main Grant to Sewage Enterprise for 24" sewer main fixed assets.
	83,000	From Greenwood Utilities to the Sewage Enterprise Fund for sewer appropriations.
	300,000	From Greenwood Utilities to the Special Projects Fund to subsidize operations.
	605,000	From Greenwood Utilities to the General Fund to subsidize operations and appropriate \$5,000 to the Stars & Stripes Festival.
	717,804	From Greenwood Utilities to the General Fund (\$480,732), Community Center (\$1,500) and Sewage Enterprise Fund (\$235,572) for free utility services.
	<u>\$ 3,588,262</u>	

E. Capital Leases

The City leases property with varying terms and options. Most leases contain a clause that states the lease shall terminate in the event no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancelable leases for financial reporting purposes.

The City has financed an E-One Pumper Truck, three International Pac-Mac Garbage Trucks, three International Viper Knuckle Boom Trucks, two Front Loader Garbage Trucks, and one E-One 75' Aerial Fire Truck by means of capital leases. These lease agreements qualify as capital leases for

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

accounting purposes (title transfers at the end of the lease term) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

One 2012 Mack MRU613 Chassis with Front Loader Garbage Truck

\$ 186,244

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2012:

Year ending September 30:

2013	49,228
2014	49,228
2015	<u>45,127</u>
Total minimum payments	143,583
Less: Amount representing interest	<u>5,718</u>
Present value of net minimum lease payments	<u>\$ 137,865</u>

Three 2009 International Pac-Mac Garbage Trucks /
Three 2009 International Viper Nuckle Boom Trucks

\$ 531,899

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2012:

Year ending September 30:

2013	85,564
2014	85,564
2015	<u>64,173</u>
Total minimum payments	235,301
Less: Amount representing interest	<u>11,062</u>
Present value of net minimum lease payments	<u>\$ 224,239</u>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

E-One Pumper Truck \$ 288,900

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2012:

Year ending September 30:

2013	36,763
2014	36,763
2015	36,763
2016	36,763
2017	36,763
Thereafter	<u>36,762</u>
Total minimum payments	220,577
Less: Amount representing interest	<u>31,812</u>
Present value of net minimum lease payments	<u>\$ 188,765</u>

2009 AutoCar Front Loader Truck \$ 187,329

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2012:

Year ending September 30:

2013	49,638
2014	<u>20,682</u>
Total minimum payments	70,320
Less: Amount representing interest	<u>1,496</u>
Present value of net minimum lease payments	<u>\$ 68,824</u>

Fire Truck (E-One 75' Aerial on a Typhoon Chassis) \$ 655,663

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2012:

Year ending September 30:

2013	75,575
2014	75,575
2015	75,575
2016	75,575
2017	75,575
Thereafter	<u>377,874</u>
Total minimum payments	755,749
Less: Amount representing interest	<u>100,086</u>
Present value of net minimum lease payments	<u>\$ 655,663</u>

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-term debt:

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds issued for proprietary activities are reported in the proprietary funds if they are to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates.

On November 22, 2011, the City issued \$1,640,000 in General Obligation Refunding Bonds, Series 2011, with an interest rate of 2.68% to refund \$1,560,000 of outstanding General Obligation Bonds, Series 2002 (the "2002 General Obligation Bonds"), with an average interest rate of 4.37%. The net proceeds of \$1,593,967 (after payment of \$46,033 in bond issuance costs) resulted in a net present value savings benefit to the City in the amount of \$82,818. The 2002 General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was \$93,616.

On June 13, 2012, the City issued \$4,405,000 in Sewer System Revenue Refunding Bonds, Series 2012, with an average interest rate of 2.087% to refund \$4,344,441 of outstanding State Revolving Loans for Phases I, II and III with an average interest rate of 4.50%, 3.50% and 3%, respectively. The net proceeds of \$4,344,441, including a net original issue premium of \$51,763 (after payment of \$68,272 in bond issuance costs and \$44,050 in underwriter fees) resulted in a net present value savings benefit to the City in the amount of \$175,202. The State Revolving Loans for Phases I, II and III are considered to be defeased and the liability for those loans has been removed from the proprietary fund balance sheet and the government-wide statement of net assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was \$143,030.

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

General obligation bonds outstanding at September 30, 2012, were as follows:

General Obligation Bonds payable out of governmental activities:

\$1,640,000 2011 General Obligation Refunding Bonds due in annual principal installments of \$140,000 to \$185,000 through March 1, 2022; interest at 2.68%	\$ 1,625,000
\$3,600,000 2002 General Obligation MBIA Bond due in annual principal installments of \$180,000 through December 1, 2022; interest at 3%	1,980,000
\$1,500,000 2005 General Obligation Bonds due in annual principal installments of \$45,000 to \$110,000 through October 1, 2025; interest at 4% to 5.625%	1,125,000
\$2,000,000 2006 General Obligation Bonds due in annual principal installments of \$60,000 to \$150,000 through May 1, 2026; interest at 4% to 5%	<u>1,585,000</u>
Total	<u>\$ 6,315,000</u>

2. Notes Payable

\$1,300,000 Mississippi Development Authority Capital Improvements Loan due in monthly installments of \$12,553 for 120 months at 3% to be repaid by Viking Range Corporation in monthly rent (subject to forfeiture of sales tax allocations and/or homestead exemption reimbursements upon nonpayment).	<u>\$ 655,428</u>
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3. State Revolving Loan

The City entered into a loan agreement with the Mississippi Department of Environmental Quality to rehabilitate its sewer system. The state revolving loan payable at September 30, 2012 is as follows:

\$7,879,072 Sewer Rehab Revolving loan due in monthly installments of \$40,549 beginning July 1, 2008, through January 1, 2028; interest at 2%	<u>\$ 6,420,918</u>
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This loan will be repaid by a reduction in sales tax revenue received from the Mississippi Department of Revenue each month.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

4. Sewer System Revenue Refunding Bonds, Series 2012

\$4,405,000 Sewer Refunding Bonds due in annual principal installments of \$185,000 to \$610,000 through September 30, 2021; interest at 2% (including bond premium of \$50,469)

\$ 4,455,469

5. Long-term Debt Transactions

A summary of long-term debt transactions for the year ended September 30, 2012, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation bonds	\$ 4,525	\$ 1,640	\$ 1,830	\$ 4,335	\$ 285
General Obligation MBIA bond	2,160	-	180	1,980	180
Note payable	784	-	129	655	133
Capital lease	215	655	26	844	86
Compensated absences	226	237	226	237	237
Total governmental activities	\$ 7,910	\$ 2,532	\$ 2,391	\$ 8,051	\$ 921
Business-type activities:					
State revolving loan (DEQ)	\$ 11,501	\$ -	\$ 5,080	\$ 6,421	\$ 361
Sewer Revenue Refunding Bonds, Series 2012	-	\$ 4,457	2	4,455	520
Capital lease	599	-	168	431	173
Compensated absences	516	95	164	447	165
Total business-type activities	\$ 12,616	\$ 4,552	\$ 5,414	\$ 11,754	\$ 1,219

4. Legal Debt Margin and Debt Covenants

The City's legal debt margin for the issuance of general obligation bonds was \$14,406,926 at September 30, 2012.

There are a number of requirements contained in the various debt obligations. The City is in compliance with all debt service covenants with the exception of the \$4,405,000 Revenue Bond covenant, which states that the City will set up a Revenue Fund, an Operation and Maintenance Fund, and a Debt Service Fund. As of 9/30/12, these funds were not

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

established, however, subsequent to year end these funds were established, and the moneys in these funds are being held separate and apart from all other funds of the City and shall be applied in the manner provided for in the covenants.

5. Annual Maturities Requirements

The annual requirements to amortize all long-term debt outstanding as of September 30, 2012, including interest, by source of retirement are as follows:

Debt Service Fund (Special Tax Levy)

Fiscal Year	General Obligation Bonds		(Memorandum Only)
	Principal	Interest	Total
2013	\$ 285,000	\$ 155,479	\$ 440,479
2014	300,000	145,460	445,460
2015	305,000	134,948	439,948
2016	325,000	124,079	449,079
2017	340,000	113,057	453,057
2018-2022	1,905,000	381,276	2,286,276
2023-2026	875,000	89,780	964,780
Totals	\$ 4,335,000	\$ 1,144,079	\$ 5,479,079

General Fund & Fire Protection Fund (Special Tax Levy & State Fire Protection Revenues)

Fiscal Year	Capital Lease		(Memorandum Only)
	Principal	Interest	Total
2013	\$ 86,073	\$ 26,265	\$ 112,338
2014	88,922	23,415	112,337
2015	91,874	20,463	112,337
2016	94,931	17,406	112,337
2017	98,098	14,240	112,338
2018-2022	384,528	30,108	414,636
Totals	\$ 844,426	\$ 131,897	\$ 976,323

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

Solid Waste (Solid Waste Revenues)

Fiscal Year	Capital Lease		(Memorandum Only)	Total
	Principal	Interest		
2013	\$ 173,436	\$ 10,994	\$	184,430
2014	149,710	5,764		155,474
2015	107,782	1,518		109,300
Totals	\$ 430,928	\$ 18,276	\$	449,204

Industrial Rent #255 (Milwaukee Tool Rents)

Fiscal Year	General Obligation MBIA Bond		(Memorandum Only)	Total
	Principal	Interest		
2013	\$ 180,000	\$ 56,700	\$	236,700
2014	180,000	51,300		231,300
2015	180,000	45,900		225,900
2016	180,000	40,500		220,500
2017	180,000	35,100		215,100
2018-2022	900,000	94,500		994,500
2023	180,000	2,700		182,700
Totals	\$ 1,980,000	\$ 326,700	\$	2,306,700

Viking CAP Loan (Viking Range Rents)

Fiscal Year	CAP Loan		(Memorandum Only)	Total
	Principal	Interest		
2013	\$ 132,795	\$ 19,160	\$	151,955
2014	136,834	15,161		151,995
2015	140,996	11,040		152,036
2016	145,284	6,795		152,079
2017	99,519	2,420		101,939
Totals	\$ 655,428	\$ 54,576	\$	710,004

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED):

Sewage Enterprise Fund (Water/Sewer Revenues)

Fiscal Year	State Revolving Loan		(Memorandum Only)
	Principal	Interest	Total
2013	\$ 361,471	\$ 125,117	\$ 486,588
2014	368,767	117,821	486,588
2015	376,210	110,377	486,587
2016	383,804	102,784	486,588
2017	391,550	95,037	486,587
2018-2022	2,079,539	353,398	2,432,937
2023-2026	2,298,054	134,883	2,432,937
2028	161,523	673	162,196
Totals	\$ 6,420,918	\$ 1,040,090	\$ 7,461,008

Sewage Enterprise Fund (Water/Sewer Revenues)

Fiscal Year	Sewer Refunding Bonds		(Memorandum Only)
	Principal	Interest	Total
2013	\$ 520,000	\$ 79,599	\$ 599,599
2014	575,000	79,713	654,713
2015	585,000	68,213	653,213
2016	600,000	56,513	656,513
2017	610,000	44,512	654,512
2018-2022	1,515,000	68,444	1,583,444
2023-2026	-	-	-
2028	-	-	-
Totals	\$ 4,405,000	\$ 396,994	\$ 4,801,994

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS:

The City adopted GASB Statement 54 during the year ended September 30, 2011. As such, fund balance of the governmental funds is classified by specific purpose as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES:			
NONSPENDABLE:			
General government	\$ -	\$ -	\$ -
RESTRICTED FOR:			
Public safety	-	6,544	6,544
Public works	-	430,855	430,855
Debt service	-	927,628	927,628
COMMITTED TO:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
ASSIGNED TO:			
General government	-	231,011	231,011
Public safety	-	20,892	20,892
Culture & recreation	-	11,301	11,301
Economic development & assistance	-	130,938	130,938
UNASSIGNED			
General government	2,848,058	-	2,848,058
Public Safety		(9,463)	(9,463)
Total fund balances	<u>\$ 2,848,058</u>	<u>\$ 1,749,706</u>	<u>\$ 4,597,764</u>

NOTE 5 - OPERATING LEASE

In 2011, the City entered into a lease agreement for GPS tracking devices with a monthly lease charge of \$4,640. The following is a schedule by years of future lease payments under the operating lease:

2013	55,680
2014	13,920
	<u>\$ 69,600</u>

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 6 - PENSION PLANS

The City of Greenwood participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multiple-employer pension plan.

A. Public Employees' Retirement System

1. Plan Description and Provisions

Substantially all City of Greenwood, Greenwood Utilities, Greenwood Tourism Commission and Greenwood-Leflore Public Library employees participate in PERS, a multi-employer, cost-sharing defined benefit public employee 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 Section 21-29-201 of the Mississippi Code of 1942 as annotated and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS, 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS members are required to contribute 9% of their annual salary. The City of Greenwood, Greenwood Utilities, the Greenwood Tourism Commission and the Greenwood-Leflore Public Library are required to contribute at an actuarially determined rate. The current rate is 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost. For 2012, the City's and Greenwood Utilities' annual pension cost of \$900,286 and \$524,999 for PERS was equal to the City's and Greenwood Utilities' required and actual contributions.

Three-Year Trend Information for PERS
(Dollar amounts in Thousands)

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Greenwood		
9/30/2010	\$ 808	100%
9/30/2011	\$ 808	100%
9/30/2012	\$ 900	100%
Greenwood Utilities		
9/30/2010	\$ 495	100%
9/30/2011	\$ 443	100%
9/30/2012	\$ 525	100%

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED):

B. Disability and Relief - Municipal Retirement Systems Pension Plan

1. Plan Description

The City of Greenwood contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi (PERS). The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5, and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Only the Legislature of the State of Mississippi can amend the plan. At September 30, 2012, there were 2 participating municipal employees and 63 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS, 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

2. Basis of Accounting

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, and investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

3. Funding Status and Progress

The actuarial accrued liability is a measure intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED):

annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2012. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5%-6.00% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4% per year compounded annually, attributable to seniority/merit.

The actuarial accrued liability was as follows:

Actuarial Accrued Liability	(In Thousands of Dollars)
Retirees and beneficiaries currently receiving benefits	\$ 7,942
Active members	548
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	8,490
Actuarial value of assets	2,948
Unfunded actuarial accrued liability	\$ 5,542

During the year ended September 30, 2012, the System experienced a net change of (\$82) thousand in the actuarial accrued liability.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED):

The schedule of funding progress is shown below:

SCHEDULE OF FUNDING PROGRESS (\$ Thousands)						
Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
9/30/03	\$3,392	\$10,349	32.8%	\$6,957	\$178	3,908.4%
9/30/04	\$3,151	\$10,196	30.9%	\$7,045	\$176	4,002.8%
9/30/05	\$2,980	\$10,131	29.4%	\$7,151	\$186	3,844.6%
9/30/06	\$3,064	\$9,981	30.7%	\$6,917	\$109	6,345.9%
9/30/07	\$3,217	\$9,526	33.8%	\$6,309	\$108	5,841.7%
9/30/08	\$3,288	\$9,018	36.5%	\$5,730	\$110	5,209.1%
9/30/09	\$3,167	\$9,248	34.2%	\$6,081	\$112	5,429.5%
9/30/10	\$3,062	\$9,020	33.9%	\$5,958	\$111	5,367.6%
9/30/11	\$3,140	\$8,572	36.6%	\$5,432	\$77	7,054.5%
9/30/12	\$2,948	\$8,490	34.7%	\$5,542	\$80	6,927.5%

Numbers shown above reflect all changes in benefit provisions, actuarial assumptions, and/or actuarial methods.

Note: All amounts prior to 2005 reported by prior actuarial firm.

4. Contributions Required and Contributions Made

The funding policy for MRS provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown below, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a level dollar closed amortization method over 22 years. The City's active MRS members contribute ten percent of their base salaries to the plan. This difference has historically resulted in the actual contribution being less than the annual required contribution.

During the year ended September 30, 2012, contributions totaling \$642,964 - \$634,928 employer and \$8,036 employee - were made in accordance with contribution requirements determined by an actuarial valuation of the System as of September 30, 2011. The employer contributions consisted of \$7,846 for normal cost and administrative expenses and \$627,082 for amortization of the unfunded actuarial accrued liability.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED):

SCHEDULE OF EMPLOYER CONTRIBUTIONS			
FISCAL YEAR 10-1/9-30	VALUATION DATE 9-30	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2003-04	2003	\$615,555	95.4%
2004-05	2004	628,037	105.9
2005-06	2005	653,548	113.3
2006-07	2006	629,660	118.2
2007-08	2007	582,979	135.2
2008-09	2008	537,729	130.5
2009-10	2009	576,859	120.3
2010-11	2010	571,815	134.1
2011-12	2011	523,849	121.2
2012-13	2012	542,575	

Note: All amounts prior to 2005 reported by prior actuarial firm.

5. Supplemental Disclosure Information

<u>NUMBER OF ACTIVE AND RETIRED PARTICIPANTS AS OF SEPTEMBER 30, 2012</u>	
<u>GROUP</u>	<u>NUMBER</u>
Retired participants and beneficiaries currently receiving benefits	63
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	0
Active participants	2
Inactive participants	0
Total	65

The annual required contribution (ARC) of the employer as a dollar amount, determined in accordance with the parameters of GASB 25/27, is shown below:

2012/2013 FISCAL YEAR ANNUAL REQUIRED CONTRIBUTION (ARC) BASED ON THE VALUATION AS OF SEPTEMBER 30, 2012	
Normal	\$ 7,939
Accrued liability	534,636
Total	\$542,575

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED):

Additional information as of September 30, 2012:

Valuation date	9/30/12
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increases #	4.50%-6.00%
*includes price inflation at	3.50%
#includes wage inflation at	4.25%
Cost-of-living adjustments	None

NOTE 7 - OTHER INFORMATION

A. Risk Management

1. Unemployment Benefits

The City maintains an Unemployment Compensation Revolving Fund established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at no less than 2% of the first \$6,000 paid each employee during the preceding year. As of September 30, 2012, the required amounts were funded. Claims totaled \$13,717 during fiscal year 2012 for the City of Greenwood. Greenwood Utilities did not make any payments for unemployment claims and \$3,127 as a .5% employer.

2. Group Employee Benefits

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Greenwood and employees, to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues, including interest income and reinsurance funds, totaled \$1,143,856, and employee benefit costs and administrative expenses were \$1,197,103 during fiscal year 2012. Claims incurred but not reported at September 30, 2012, in the Employees' Group Benefit Fund are provided for in claims payable and totaled \$66,186.

Greenwood Utilities maintains a Medical Plan Reserve Fund to account for the accumulation of revenues, principally contributions from the utility and employees, to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the utilities' medical plan. Revenues totaled \$1,355,100 and employee benefit costs were \$1,357,759 during fiscal year 2012. Claims incurred but not reported at September 30, 2012, in the Medical Plan Reserve Fund are included in group medical insurance claims allowance as a restricted liability and totaled \$4,219.

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 7 - OTHER INFORMATION (CONTINUED):

3. The following table provides a reconciliation of changes in liabilities for claims for the City of Greenwood (Greenwood Utilities not included):

	Unemployment Benefits Fund	Employee Benefit Fund
Ending balance, 10/1/10	\$ 59,547	\$ 735,874
Current year claims	10,000	1,201,231
Interest earnings	760	11,856
Claims payments	(16,883)	(1,550,566)
Ending balance, 9/30/11	53,424	398,395
Current year claims	25,000	1,141,120
Interest earnings	244	2,736
Claims payments	(21,425)	(1,197,103)
Ending balance, 9/30/12	<u>\$ 57,243</u>	<u>\$ 345,148</u>

4. Workers' Compensation Benefits

Risk of loss related to workers' compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Greenwood Utilities purchases insurance for its workers' compensation coverage.

5. Tort Liability

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Greenwood may be liable under the Tort Claims Act.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 7 - OTHER INFORMATION (CONTINUED):

In order to assure compliance with the Tort Claims Act, the Mississippi Tort Claims Board was established by House Bill 417. Municipalities are required to submit plans of insurance, self-insurance and/or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivisions to purchase liability insurance or to self-insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

The City of Greenwood, Greenwood Utilities, the Greenwood Tourism Commission and the Greenwood-Leflore Public Library are in compliance by purchasing liability insurance through the Mississippi Municipal Liability Plan (MMLP), a public entity risk pool. The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMLP covers risks of loss against members in the group arising from claims related to torts and other liability claims. The Mississippi Municipal Liability Plan requires that an indemnity agreement be executed by each member in the pool for the purpose of jointly and severally binding the pool and each of the members comprising the group to meet the liability obligations of each member. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities that limits the City's liability to \$500,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. Settled claims resulting from these insured risks have not exceeded the City's insurance coverage since it joined the pool, and the members have not had an additional assessment for excess losses incurred by the pool.

6. Real and Personal Property Insurance

The City and Greenwood Utilities purchase commercial policies to insure its real and personal property.

B. Commitments

MEAM Power Purchase Contract:

Greenwood Utilities is a participant in the Municipal Energy Agency of Mississippi (MEAM). The function of MEAM is to provide a continued source of electrical power to its participants at the best possible rates. In 1984, Greenwood Utilities entered into a power purchase contract and power sales contract with MEAM which provides that Greenwood Utilities will purchase its electrical power from MEAM through the year 2014. Greenwood Utilities agreed to sell MEAM the excess capacity and electrical power generated by its generating stations, resulting in all the electrical power requirements of Greenwood Utilities being purchased from MEAM per the contract. These contracts may be terminated by MEAM upon termination of the interconnection agreement between MEAM and Entergy. Greenwood Utilities may terminate the contracts following termination of MEAM's interconnection agreement or two (2) years written notice to MEAM of intent to terminate.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 7 - OTHER INFORMATION (CONTINUED):

Sales Tax Pledge:

The City has pledged sales tax reimbursements from the State of Mississippi to pay the Department of Environmental Quality for a sewer rehab revolving loan to the Sewage Enterprise Fund. The outstanding balance of this loan at September 30, 2012, was \$6,420,918. Detailed information is provided in Note 3.

Wastewater Treatment Facility:

The City must construct a new wastewater treatment facility, due to the current wastewater treatment facility not being compliant with EPA requirements. The new facility must be completed by the year 2015. If the facility is not completed by 2015, the City may be subject to EPA enforced fines.

The estimated cost of the new wastewater treatment facility project is \$39,125,000. Project funding will be provided by state and federal grants, a state revolving loan, as well as an increase in sewage fees. Sewage fees will be increased annually over five years to finance the loan repayment.

C. Contingent Liabilities

Grants

The City participates in a number of state and federally funded grant programs, principal of which are the U.S. Department of Justice and the U.S. Department of Transportation grants. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of September 30, 2012, the City believes that disallowed expenditures, if any, discovered in subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the City.

Litigation

The City and Greenwood Utilities are defendants in a number of legal actions seeking actual and punitive damages. The City and Utilities are vigorously defending all matters of litigation and believe there will be no material adverse financial effect. The City and Utilities believe that liability insurance will cover any possible claims.

Milwaukee Tool MBIA Bond Issue

The City issued \$3,600,000 General Obligation MBIA Bond, Series 2002, on December 1, 2002, for Milwaukee Electric Tool Corporation. Milwaukee Electric Tool Corporation is leasing the real property from the City for 12,166 monthly and adjusted to \$24,864 monthly beginning August 2003, for the initial term and all renewal periods. The lease between the City and Milwaukee Tool is for 5 years commencing on November 15, 2001, with an option to renew for three (3) additional 5-year terms. The second option has been exercised.

The bond is a general obligation of the City secured (i) by the City's forfeiture of its sales tax allocation and/or homestead exemption

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 7 - OTHER INFORMATION (CONTINUED):

reimbursement, and (ii) if the City has forfeited its sales tax allocation and/or homestead exemption reimbursement for twelve (12) months, from the avails of a direct tax to be levied annually without limitation as to rate or amount upon all the taxable property within the geographical limits of the City, but only in the event that the sources by items (i) above are insufficient therefore.

Viking CAP Loan

The City entered into a \$1,300,000 capital improvements loan with the Mississippi Development Authority in order to purchase and renovate an industrial property for Viking Range Corporation. At the same time, Viking Range Corporation entered into a lease agreement with the City of Greenwood with the monthly payments of \$12,553 being equal to the note payments due Mississippi Development Authority. Should Viking Range Corporation default on its payments, the City of Greenwood shall forfeit its sales tax allocation and/or homestead exemption reimbursement in an amount sufficient to repay the obligation.

D. Joint Ventures

The following provides the summary financial information of the Greenwood-Leflore Airport and the Greenwood-Leflore Industrial Board as of September 30, 2011 (September 30, 2012, not yet issued):

<u>Greenwood-Leflore Airport</u>	
Total assets	<u>\$ 10,490,554</u>
Total liabilities	<u>\$ 232,212</u>
Total net assets	<u>\$ 10,258,342</u>
Total program and general revenues	<u>\$ 2,220,429</u>
Total expenses	<u>\$ 624,838</u>
Change in net assets	<u>\$ 1,601,286</u>
Accrued compensated absences	<u>\$ 12,374</u>

(A) The percentage share of the joint venture applicable to the City of Greenwood is fifty percent (50%).

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 7 - OTHER INFORMATION (CONTINUED):

Greenwood-Leflore Industrial Board

Total assets	\$ 24,999
Total liabilities	\$ 24,999
Total net assets	\$ -
Total program and general revenues	\$ 181,775
Total expenses	\$ 181,775
Change in net assets	\$ -
Accrued compensated absences	\$ 5,177

(A) The percentage share of the joint venture applicable to the City of Greenwood is fifty percent (50%).

E. Economic Dependence

The electricity Greenwood Utilities generates is sold to MEAM. The electricity that is sold to customers is purchased from MEAM. More electricity is purchased from MEAM than is generated, resulting in Greenwood Utilities being dependent on MEAM for purchased power.

F. Comprehensive Income

Net comprehensive income is equal to net income.

NOTE 8 - POWER SUPPLY STUDY AND INDEPENDENT REVIEW OF GENERATING RESOURCES

Greenwood Utilities has a power purchase contract and power sales contract with MEAM; however, MEAM is interested in reducing Greenwood Utilities' capacity payments. As part of the study, MEAM has proposed a three year transition period. Under the proposed transition agreement, MEAM has proposed a continuation of the existing payment for calendar years 2011 through June 2013 after which the payment would be reduced to take into consideration the reduced capacity amount. As part of the study, all of the generating units at both the Henderson and Wright Generating Stations remain viable. At this time, management at Greenwood Utilities is evaluating the R.W. Beck study, and the Wright Generating Station has been put on cold standby. The Henderson Generating Station is still undergoing evaluation.

CITY OF GREENWOOD, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

NOTE 9 - INVENTORY WRITE-DOWN

In the fiscal year ending September 30, 2012, there was a write-down of the coal inventory to \$62.40/ton as a result of a valuation performed on samples from Greenwood Utilities' coal pile. Greenwood Utilities sent samples of their coal pile to SGS North America to be tested for grade. Upon completion of this test, Drummond Coal Sales estimated the value of the coal, resulting in a write-down of the coal inventory in the amount of \$263,975.

NOTE 10 - CHANGE IN USEFUL LIFE OF H2 CONTROLS ON THE GAS TURBINE GENERATOR

During 2012, Greenwood Utilities reduced its estimated useful life of the H2 controls on the gas turbine generator to reflect technological changes. This change had the effect of decreasing income for 2012 by \$273,591. The asset was fully depreciated and was removed from the Greenwood Utilities fixed assets inventory.

NOTE 11 - WRIGHT STATION CAPITAL ASSETS

Greenwood Utilities has placed Wright Station on cold stand-by. As a result, Wright Station capital assets are considered to be idle. The carrying amount of these capital assets at year-end was \$932,297.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2013, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CITY OF GREENWOOD, MISSISSIPPI
 Schedule of Surety Bonds for Municipal Officials
 September 30, 2012

NAME	POSITION	COMPANY	BOND AMOUNT
CAROLYN H. MCADAMS	MAYOR	LIBERTY MUTUAL	\$ 100,000
THOMAS GREGORY, III	CHIEF ADMINISTRATIVE OFFICER	FCCI INS GROUP	\$ 50,000
NICK JOSEPH, JR.	CITY CLERK	FCCI INS GROUP	\$ 50,000
HENRY PURNELL	POLICE CHIEF	FCCI INS GROUP	\$ 50,000
JOHN JENNINGS, JR.	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000
CARL PALMER	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000
LISA C. COOKSTON	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000
CHARLES E. MCCOY, SR.	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000
TENNILL CANNON	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000
DAVID L. JORDAN	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000
RONALD STEVENSON	COUNCILMAN	TRAVELERS CASUALTY	\$ 100,000

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SINGLE AUDIT SECTION AND STATE LEGAL COMPLIANCE

CITY OF GREENWOOD, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

<u>FEDERAL AGENCY/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Program:			
Mississippi Environmental Infrastructure - ARRA	12.124	1127-10-200-PF01	\$ 650,321
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>650,321</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through program Mississippi Development Authority			
Community Development Block Grant/State's Program & Nonentitlement Grants in Hawaii	14.228	1127-10-200-PF-01	600,000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>600,000</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Public Safety Partnership & Community Policing Grants-ARRA	16.710	2009RKWX0508	100,448
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1012	15,149
Edward Byrne Memorial Justice Assistance Grant Program-ARRA	16.804	2009-SB-B9-1368	30,746
Passed through Mississippi State Department of Public Safety:			
Violence Against Women Formula Grants-ARRA	16.588	10SL2131	23,754
Violence Against Women Formula Grants-ARRA	16.588	11SL2131	7,905
SUBTOTAL CFDA #16.588			<u>31,659</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>178,002</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Mississippi Department of Transportation:			
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	STP-9999-09 (023)/106400-308000	32,757
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	STP-0180-00(020)LPA/105197-701000	13,930
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	STP-0180-00 (017)LPA /105614-701000	2,891
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	SRSP-0180-00(019)LPA/105290-401000	6,363
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	STP-0180-00(018)LPA/105756-701000	485,223
SUBTOTAL CFDA #20.205			<u>541,164</u>
Passed through Mississippi Department of Public Safety:			
State & Community Highway Safety Grant	20.600	12-TA-213-1	63,775
Occupant Protection Incentive Grants	20.602	12-OP-213-1	5,442
Passed through Mississippi Department of Wildlife, Fisheries, and Parks:			
Recreational Trails Program	20.607	28-RTP-0181	79,229
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>689,610</u>

CITY OF GREENWOOD, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

U.S. DEPARTMENT OF ENERGY

Passed through Mississippi Development

Authority:

Energy Efficiency and Conservation Block Grant
Program (EECBG) - ARRA

81.128

GT11-0810-0032

99,404

TOTAL U.S. DEPARTMENT OF ENERGY

99,404

TOTAL

\$ 2,217,337

See accompanying notes to schedule of expenditures of federal awards.

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CITY OF GREENWOOD, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

NOTE A - LOANS PAYABLE

In accordance with OMB Circular A-133, loans and loan guarantees include new loans made during the year, plus prior year loans for which the federal government imposes continuing compliance requirements.

**U. S. DEPARTMENT OF ENVIRONMENTAL
QUALITY**

Passed through Mississippi Department
of Environmental Quality:

The City of Greenwood financed its sewer improvements with a loan payable to the Department of Environmental Quality.

Phase IV sewer improvements 2.0% note dated July 1, 2008	66.458	SRF-C280782-04-0	<u>\$ 6,420,918</u>
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NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Greenwood and is presented on the modified 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.

NOTE C - CONTINGENCY

The City has responsibility for expending grant funds in accordance with specific instructions from its funding sources. Any deficits resulting from over-expenditures and/or questioned costs are the responsibility of the City.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

FRED T. NEELY & COMPANY, PLLC

W. Lee Mattox, CPA
William A. Adams, CPA
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Robert A. Hearn, CPA

CERTIFIED PUBLIC ACCOUNTANTS
105 West President Avenue
P. O. Box 894 P. O. Box 842
Greenwood, Mississippi 38935
PHONE: 662-453-7112 or 662-453-9185
FAX: 662-455-9409 or 662-453-7123

Fred T. Neely, CPA
(1897 - 1967)
Billy Joe Killebrew, CPA
(1942 - 2010)
Ralph F. Neely, CPA
(1927 -)

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

To the City Council
City of Greenwood, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greenwood, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City of Greenwood, Mississippi's basic financial statements and have issued our report thereon dated June 17, 2013. 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

Management of the City of Greenwood, Mississippi, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Greenwood, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Greenwood, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Greenwood, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2012-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: none.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Greenwood, Mississippi in a separate letter dated June 17, 2013.

The City of Greenwood, Mississippi's response to the findings identified in our audit is described in the accompanying City's Corrective Action Plan. We did not audit the City of Greenwood, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fred T. Neely & Company, PLLC

Fred T. Neely & Company, PLLC

Greenwood, Mississippi
June 17, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Greenwood, Mississippi

Compliance

We have audited the City of Greenwood, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Greenwood, Mississippi's major federal programs for the year ended September 30, 2012. The City of Greenwood, 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 Greenwood, Mississippi's management. Our responsibility is to express an opinion on the City of Greenwood, 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 Greenwood, 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 of the City of Greenwood, Mississippi's compliance with those requirements.

In our opinion, the City of Greenwood, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

Management of the City of Greenwood, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Greenwood, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Greenwood, Mississippi's internal control over compliance.

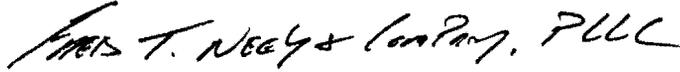
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The City of Greenwood, Mississippi's responses to the findings identified in our audit are described in the accompanying City's Corrective Action Plan. We did not audit the City of Greenwood, Mississippi's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fred T. Neely & Company, PLLC



Greenwood, Mississippi
June 17, 2013

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

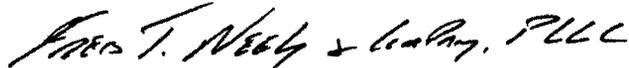
To the City Council
City of Greenwood, Mississippi

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greenwood, Mississippi, as of and for the year ended September 30, 2012, and have issued our report thereon dated June 17, 2013. We have 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*. The financial statements of the Greenwood Tourism Commission were not audited in accordance with *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of those procedures and our audit of the basic financial statements disclosed material instances of noncompliance with state laws and regulations presented as 2012-2 in the accompanying Schedule of Findings and Questioned Costs.

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

Fred T. Neely & Company, PLLC



Greenwood, Mississippi
June 17, 2013

CITY OF GREENWOOD, MISSISSIPPI
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012

2012-1. Findings relating to Financial Statements Audit

Condition: Since the City's books were maintained in accordance with state budgetary law, management requested us to assist in converting your accounting records from the budgetary basis to the accrual basis so that the financial statements could be prepared in conformity with accounting principles generally accepted in the United State of America. Management also requested us to prepare a draft of the City's financial statements, including the related notes to the financial statements. The outsourcing of this service is not unusual in Cities of your size and was a result of the City's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure was considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control over financial reporting.

Recommendation: Management should perform a detailed review of the financial statements and note disclosures before issuance.

Current Status: Not corrected.

2012-2. Findings relating to State Legal Compliance

Condition: Expenditures exceeded the adopted budget in twenty functional categories.

Recommendation: Management should make budget adjustments as allowed by Mississippi Code Ann. (1972), Section 21-35-25 to ensure compliance with state law.

Current Status: Not corrected.

CITY OF GREENWOOD, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Greenwood, Mississippi.
2. One significant deficiency disclosed during the audit of the financial statements is reported in this schedule. This deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Greenwood, Mississippi, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Greenwood, Mississippi, expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program were:
 - Highway Planning and Construction: (Federal-Aid Highway Program)- Transportation Enhancement Program - CFDA 20.205.
 - Mississippi Environmental Infrastructure: (Section 592 - ARRA)- 24" Sewer Main Project - CFDA 12.124.
 - Community Development Block Grant/State's Program & Nonentitlement Grants in Hawaii - 24" Sewer Main Project - CFDS 14.228.
8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The City of Greenwood, Mississippi, did not qualify as a low-risk auditee.
10. There are prior audit findings and questioned costs relative to federal awards which require the City of Greenwood, Mississippi, to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133.

FINDINGS - FINANCIAL STATEMENTS

MATERIAL WEAKNESS

2012-1: Financial Statements and Related Disclosures

Condition: Since the City's books are maintained in accordance with state budgetary law, management requested us to assist in converting your accounting records from the budgetary basis to the accrual basis so that the financial statements could be prepared in conformity with U.S. generally accepted accounting principles. Management also requested us to prepare a draft of the City's financial statements, including the related notes to the financial statements. The outsourcing of this service is not unusual in Cities of your size and is a result of the City's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

CITY OF GREENWOOD, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2012

Criteria: The City is responsible for establishing and maintaining effective internal controls over financial reporting. Under generally accepted auditing standards, outside auditors cannot be considered a part of the City's internal control structure, and the design of the City's internal control structure does not include procedures for its preparation of external financial statements in accordance with generally accepted accounting principles.

Cause: The City has opted not to incur the additional costs that it would take to train and keep personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures.

Effect: The preparation of its financial statements, related footnote disclosures and required supplemental information are outsourced. However, management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

The absence of this control procedure is considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation: Due to the cost of hiring and keeping personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures, no change is recommended.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

FINDING - STATE LEGAL COMPLIANCE

2012-2:

Amendments to the budget were not made as allowed by Mississippi Code Ann. (1972), Section 21-35-25, and, as a result, expenditures exceeded the budget in eight functional categories.

APR 13 2013



CITY OF GREENWOOD
CORRECTIVE ACTION PLAN

OFFICE: 662-453-2246
FAX: 662-451-9075

June 17, 2013

The City of Greenwood, Mississippi, respectfully submits the following corrective action plan for the year ended September 30, 2012.

Name and address of independent public accounting firm: Fred T. Neely & Company, PLLC, P. O. Box 894, Greenwood, MS 38935-0894.

Audit period: For the year ended September 30, 2012.

The findings from the 2012 Schedule of Findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2012-1:

Recommendation: Due to the costs of hiring and keeping personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures, no change is recommended.

Action taken: We agree with the finding. The City benefits the most by continuing to outsource the preparation of the financial statements and related note disclosures. Management understands and accepts the risk of permitting the auditors to prepare the financial statements and related not disclosures due to cost constraints.

STATE LEGAL COMPLIANCE FINDING

2012-2:

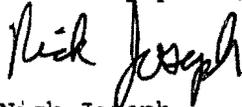
Recommendation: The City should amend its budget when a functional category is exceeded as allowed by Mississippi Code Ann. (1972), Section 21-35-25.

Action taken: Management will review the comparative budget reports as well as encumbrance reports at year-end and make the necessary budget adjustments to ensure compliance with state law.

Fred T. Neely & Company
Page 2
June 17, 2013

Please call the City Clerk, Nick Joseph, at 662-453-2246 should there be any questions.

Sincerely yours,

A handwritten signature in black ink that reads "Nick Joseph". The signature is written in a cursive style with a large, prominent "N" and "J".

Nick Joseph
City Clerk

