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The City of Greenwood, Mississippi

Greenwood, Mississippi

Financial Statements

For the Year Ended September 30, 2019



FRED T. NEELY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

The City of Greenwood, Mississippi
Financial Statements
For the Year Ended September 30, 2019
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Independent Auditor's Report

To the City Council
City of Greenwood, Mississippi

Report on the Financial Statements

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 (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Greenwood-Leflore Public Library, which represent 33 percent, -184 percent, and 50 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. We did not audit the financial statements of the Greenwood Utilities, which represent 52 percent, 76 percent, and 92 percent, respectively, of the assets, net position, and revenues of the business-type activities and proprietary funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Greenwood-Leflore Public Library and Greenwood Utilities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Greenwood Tourism Commission, shown in the discretely-presented component units column, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 4-12, pages 74-77, and pages 78-83, respectively, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information contained herein is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the

City Council
September 29, 2020

report of the other auditors, the supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Fred T. Neely & Company, PLLC

Fred T. Neely & Company, PLLC

Greenwood, Mississippi
September 29, 2020

City of Greenwood, Mississippi

Management's Discussion and Analysis



The discussion and analysis of The City of Greenwood's (the City's) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2019. 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.

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 Position*. This is the City-wide statement of financial position presenting information which includes all of the City's assets, deferred outflows and liabilities plus deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position 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 and sanitation, culture and recreation, economic development, interest on long-term debt and miscellaneous appropriations. Business-type activities include sewer enterprise, solid waste enterprise 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 are reported in a manner similar to proprietary funds.

City of Greenwood, Mississippi

Management's Discussion and Analysis

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 Greenwood Tourism Commission and the Greenwood-Leflore 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, 225 Howard 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 in the financial statements section 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.

Fund financial statements 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 funds are the General Fund and the Milwaukee Tool Expansion – CDBG. The major proprietary funds of the City are the Sewage Enterprise Fund and Greenwood Utilities Fund.

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 funds financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental funds information may be useful in evaluating the City's short-term obligations. 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 funds balance sheet and the governmental funds 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 and the Milwaukee Tool Expansion – CDBG to demonstrate compliance with their

City of Greenwood, Mississippi

Management's Discussion and Analysis

budgets. The basic governmental funds financial statements can be found in the financial statements section 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 Enterprise Fund, the Greenwood Utilities Fund and Other Enterprise Funds. 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 in the financial statements section of this report.

Notes to Financial Statements

The accompanying notes to financial statements provide information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to financial statements begin immediately following the basic financial statements.

Financial Highlights:

Key financial highlights for 2019 were as follows:

- The assets and deferred outflows of the City of Greenwood exceeded its liabilities and deferred inflows at the close of the 2019 fiscal year by \$79,654,590.
- The government's total net position decreased by \$6,507,466.
- The total assets and deferred outflows of resources of governmental activities increased by \$3,510,000 from the prior year.
- The City's governmental funds reported total ending fund balance of \$3,605,952 this year. This compares to the prior year ending fund balance of \$3,705,136 showing a decrease of \$99,184. Approximately 73% of this total, \$2,645,773 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 \$2,645,773 or 23% of total General Fund expenditures including transfers and 23% of total General Fund revenues including transfers, sale of personal property and proceeds from loans.
- Due to historical operating losses of its generating plant, Greenwood Utilities conducted engineering and financial studies during 2018. As a result, the Board of Commissioners voted to retire the electric generating plant assets effective May 31, 2018. This resulted in the retirement of \$8,792,232 in capital assets, net. The remaining value in the electric generating plant was recorded as a regulatory asset that was to be amortized over 10 years starting October 1, 2019. During 2019, the Board of Commissioners voted to fully write-off the balance of the unrecovered plant assets and regulatory costs related to the retirement of the electric generating plant assets effective September 30, 2019. The write-off of the

City of Greenwood, Mississippi

Management's Discussion and Analysis

regulatory asset is expected to better reflect the financial position of Greenwood Utilities at September 30, 2019, and the results of its operations in 2020 and future years.

Financial Analysis of the City as a Whole

The reader will note that the statement of net position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current & other assets	\$10,447,562	\$12,188,503	\$26,091,689	\$35,860,390	\$ 36,539,251	\$ 48,048,893
Capital assets, net	52,351,523	47,116,237	91,220,948	93,779,282	143,572,471	140,895,519
Total assets	62,799,085	59,304,740	117,312,637	129,639,672	180,111,722	188,944,412
Deferred Outflows	418,477	402,822	354,991	752,204	773,468	1,155,026
Liabilities						
Current & other	909,451	2,895,818	4,145,657	3,911,483	5,055,108	6,807,301
Due within one year	1,688,629	1,509,462	2,854,173	3,199,440	4,542,802	4,708,902
Due in more than one year	30,028,344	28,693,061	54,604,061	57,314,054	84,632,405	86,007,115
Total liabilities	32,626,424	33,098,341	61,603,891	64,424,977	94,230,315	97,523,318
Deferred Inflows	6,417,395	6,009,905	582,890	404,159	7,000,285	6,414,064
Net position						
Net investment in capital assets	39,788,955	35,798,801	48,289,692	56,611,767	88,078,647	92,410,568
Restricted for:						
Debt service	381,081	497,861	-	-	381,081	497,861
Community development projects	114,613	113,698	-	-	114,613	113,698
Other Purposes	82,165	123,354	-	-	82,165	123,354
Unrestricted	(16,193,071)	(15,934,398)	7,191,155	8,950,973	(9,001,916)	(6,983,425)
Total net position	\$24,173,743	\$20,599,316	\$55,480,847	\$65,562,740	\$ 79,654,590	\$ 86,162,056

The largest portion of the City's net position 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 and deferred outflows of resources decreased \$9,214,248. Capital assets increased by \$2,676,952. Net position of the City's governmental and business-type activities decreased by \$6,507,466.

City of Greenwood, Mississippi
Management's Discussion and Analysis

Table 2 provides a summary of the Changes in Net Position government-wide for the year ended September 30, 2019, compared to the year ended September 30, 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<u>Program revenues</u>						
Charges for services	\$ 1,078,086	\$1,095,049	\$33,669,517	\$37,158,256	\$ 34,747,603	\$ 38,253,305
Operating grants & contributions	387,895	344,219	3,113	5,255	391,008	349,474
Capital grants & contributions	4,243,611	4,849,972	-	-	4,243,611	4,849,972
<u>General revenues</u>						
Property taxes	5,217,976	5,120,697	-	-	5,217,976	5,120,697
Other taxes	4,810,076	4,834,832	-	-	4,810,076	4,834,832
Investment earnings	64,684	29,409	396,423	207,210	461,107	236,619
Other income (loss)	225,028	181,600	71,928	(10,585)	296,956	171,015
Total revenues	16,027,356	16,455,778	34,140,981	37,360,136	50,168,337	53,815,914
Expenses						
General government	1,913,800	1,531,168	-	-	1,913,800	1,531,168
Public safety	7,810,863	8,160,116	-	-	7,810,863	8,160,116
Public works	2,127,362	2,169,127	-	-	2,127,362	2,169,127
Health, welfare & sanitation	129,382	140,697	-	-	129,382	140,697
Culture & recreation	731,822	747,521	-	-	731,822	747,521
Economic development	363,485	353,608	-	-	363,485	353,608
Interest on debt	169,094	180,939	-	-	169,094	180,939
Miscellaneous	620,878	626,327	-	-	620,878	626,327
Sewer	-	-	5,550,542	5,541,354	5,550,542	5,541,354
Solid waste	-	-	2,230,760	2,211,882	2,230,760	2,211,882
Unemployment	-	-	1,063	3,251	1,063	3,251
Electric & water	-	-	35,026,752	29,212,804	35,026,752	29,212,804
Total expenses	13,866,686	13,909,503	42,809,117	36,969,291	56,675,803	50,878,794
Excess of revenues over expenditures	2,160,670	2,546,275	(8,668,136)	390,845	(6,507,466)	2,937,120
Transfers	1,413,757	1,567,532	(1,413,757)	(1,567,532)	-	-
Change in net position	3,574,427	4,113,807	(10,081,893)	(1,176,687)	(6,507,466)	2,937,120
Net position - beg	20,599,316	16,485,509	65,562,740	66,739,427	86,162,056	83,224,936
Net position - end	\$24,173,743	\$20,599,316	\$55,480,847	\$65,562,740	\$ 79,654,590	\$ 86,162,056

The decrease in net position before transfers for 2019 as compared to 2018 for governmental activities is primarily due to a decrease in grant funding received in 2019 as compared to 2018. These grants were initially awarded to the City in 2018 to aid in another expansion phase for Milwaukee Electric Tool Corporation. The decrease in the net position in the business-type activities primarily relates to the retirement of \$8,792,232 in

City of Greenwood, Mississippi

Management's Discussion and Analysis

capital assets, net of depreciation, from Greenwood Utilities. The retirement is discussed further in Note 1 to the financial statements.

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, sales taxes accounted for \$4,550,439 or 44% of general revenues less transfers and property taxes accounted for \$5,217,976 or 50% of general revenues less transfers.

Major expense activities, under the accrual basis of accounting, include public safety which accounted for 56% of total governmental activities expenses, public works accounted for 15% and general government accounted for 14%. 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 \$33,669,517 or 98.8% of gross revenues with investment earnings and grants and contributions accounting for the remaining 1.2% of gross revenues.

Major expense activities include electric and water which accounted for 82% of total business-type expenses, sewer accounted for 13% and solid waste accounted for 5%.

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. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,645,773 compared to \$2,836,747 in 2018.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,605,952, a decrease of \$99,184 in comparison with the prior year. \$2,645,773 constitutes unassigned fund balance that is available for spending at the City's discretion. Of the remaining fund balance, restricted and assigned fund balances are as follows:

	Restricted	Assigned
Public safety	\$ 30,991	\$ 42,174
Public works	182,075	-
Culture & recreation	-	8,044
Health and welfare	14,316	-
Economic development & assistance	9,532	88,409
Special projects	-	187
Debt service	584,451	-
	<u>\$ 821,365</u>	<u>\$ 138,814</u>

These funds are accounted for using the modified accrual basis of accounting. Total governmental revenues were \$16,004,153 and total governmental expenditures were \$19,895,990. Total other financing sources (uses) for governmental funds were \$3,792,653.

City of Greenwood, Mississippi

Management's Discussion and Analysis

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 2019, 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 including transfers were \$11,484,602 and final budgeted revenues including transfers were \$11,668,152. Actual revenues including transfers were \$11,442,880 on the budgetary basis. The General Fund's original budgeted operating expenditures including transfers were \$12,033,093 compared to the final budget amount of \$12,335,012. Actual expenditures including transfers were \$11,668,581 on the budgetary basis.

Capital Assets and General Long-Term Obligations

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 - \$50,000; improvements other than buildings - \$25,000; machinery and equipment - \$5,000; mobile equipment - \$10,000; and infrastructure – cost or fair market value. Table 3 compares the capital assets (net of depreciation) of the City at September 30, 2019 to 2018 amounts as follows:

Table 3

	Capital Assets (Net of Depreciation) at Year End					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,382,646	\$ 3,382,646	\$ 601,020	\$601,020	\$ 3,983,666	\$ 3,983,666
Infrastructure	14,888,039	15,450,190	53,371,735	55,585,755	68,259,774	71,035,945
Building & improvements	18,076,458	18,628,258	-	-	18,076,458	18,628,258
Equipment & furniture	544,792	571,507	188,942	241,196	733,734	812,703
Mobile equipment	1,792,448	1,919,506	558,934	698,632	2,351,382	2,618,138
Utilities plant assets	-	-	35,666,805	36,369,001	35,666,805	36,369,001
CIP	13,667,140	7,164,130	833,512	283,678	14,500,652	7,447,808
Total	<u>\$52,351,523</u>	<u>\$47,116,237</u>	<u>\$91,220,948</u>	<u>\$93,779,282</u>	<u>\$ 143,572,471</u>	<u>\$ 140,895,519</u>

The primary increase to total capital assets for governmental activities is due to the continuation of the Milwaukee Electric Tool Corporation expansion project ("Milwaukee Tool Expansion") that began in fiscal year

City of Greenwood, Mississippi

Management's Discussion and Analysis

2018 and was in progress as of September 30, 2019. This expansion project is funded with proceeds received from the Mississippi Development Authority Capital Improvements loan proceeds, a Community Development Block Grant, a Development Infrastructure Grant Program from the State of Mississippi and local match funds.

Long-Term Obligations

Table 4 compares the total outstanding long-term obligations of the City at September 30, 2019 to 2018 amounts as follows:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O Bonds	\$ 5,306,000	\$ 5,996,000	\$ -	\$ -	\$ 5,306,000	\$ 5,996,000
Urban Revenue Bond	1,537,037	1,759,259	-	-	1,537,037	1,759,259
Notes Payable	4,836,520	2,627,179	482,630	506,886	5,319,150	3,134,065
State Revolving Loans	-	-	41,945,636	44,252,784	41,945,636	44,252,784
Sewer Revenue Bonds	-	-	475,000	910,000	475,000	910,000
Capital leases	832,026	900,041	-	253,923	832,026	1,153,964
Compensated absences	324,706	320,422	448,052	408,706	772,758	729,128
Total	<u>\$12,836,289</u>	<u>\$11,602,901</u>	<u>\$43,351,318</u>	<u>\$46,332,299</u>	<u>\$ 56,187,607</u>	<u>\$ 57,935,200</u>

In fiscal year 2018, the City entered into an agreement for a Capital Improvement loan issued by the Mississippi Development Authority to assist in funding the Milwaukee Tool Expansion currently in progress as of September 30, 2019. This loan is not to exceed \$5,000,000 and will be due in estimated monthly installments of \$27,730 for 240 months at 3% annual interest to be computed daily. Payments to begin 30 days after the project completion date. Funds must be disbursed by December 6, 2019. The balance at September 30, 2019 is \$4,506,915.

The City's legal debt margin for the issuance of general obligation bonds at September 30, 2019, was \$15,210,564. Additional information on the City of Greenwood's long-term debt can be found in Note 3.

Current Financial Related Activities

The City of Greenwood is financially stable. The City is committed to maintaining that financial stability without substantial tax or fee increases, when possible. The City maintains an excellent system of financial planning, budgeting, and internal financial controls. The City will continue its sound fiscal management in an attempt to meet the challenges of the future where the general outlook for the City's finances is extremely positive as evidenced by the continuous growth in the City.

Milwaukee Electric Tool Corporation continues to grow. To date, the Company has created approximately 700 jobs at the Greenwood location and invested more than \$10 million. With the help of the City of Greenwood and the State of Mississippi, the Company acquired an additional 200,000 square feet which was renovated in the current year. This industry-leading manufacturer of heavy-duty portable electric power tools and accessories now employs nearly 700 people, with more job growth slated for the near future with Expansion Phase III. In 2016, the City of Greenwood issued bonds to refund the Milwaukee Electric Tool Corporation General Obligation MBIA

City of Greenwood, Mississippi

Management's Discussion and Analysis

Series 2002 Bonds. This refunding issue allowed funds once restricted to now become available for use at the City's discretion.

The City of Greenwood has obtained a grant from Mississippi Department of Transportation for the Fulton Streetscape Project. Work on this project is expected to start in the fall of 2019. It will enhance the historic look of our streets and match the appeal of Main and Howard Streets.

Recently, our community, with the encouragement of the Delta Council, became an ACT Work Ready Community, which signifies it has the workforce to meet the needs of many businesses. The designation was achieved after a specified number of current workers or future members of the workforce took an exam that measured their aptitude in skills such as reading and mathematics. Hopefully, attaining this designation will attract more industry and businesses to our area.

Our unemployment rate is also the lowest it has been in more than 8 years. We have gone from double digit unemployment (as high as 15%) to 7.5% at the end of the fiscal year 2019.

Not only did the City of Greenwood grow its existing industry base, but it also managed to recruit new business without a significant impact to the City's bottom line. City officials would like to reassure its constituents that City Hall is working hard to make sure Greenwood gets the most out of its dollar and that Greenwood is going to continually strive to maintain its status as a destination of choice in the Mississippi Delta.

The COVID-19 pandemic has escalated rapidly in 2020, with a significant number of cases. The COVID-19 virus has affected economic activity. The City of Greenwood has taken a number of measures to mitigate the effects of COVID-19, such as safety and health measures for our people.

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.

City of Greenwood, Mississippi

Statement of Net Position

September 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and equivalents	\$ 2,876,279	\$ 5,410,630	\$ 8,286,909	\$ 667,447
Temporary cash investments	134,971	5,579,802	5,714,773	-
Accounts receivable, net	-	4,266,659	4,266,659	5,848
Property tax receivables	5,879,225	-	5,879,225	-
Other receivables	101,534	5,867	107,401	-
Internal balances	71,514	(71,514)	-	-
Due from other governmental agencies	1,360,375	3,113	1,363,488	79,548
Inventories	-	953,915	953,915	-
Prepays	23,664	562,023	585,687	11,257
Restricted assets				
Cash and cash equivalents	-	1,507,813	1,507,813	64,953
Temporary cash investments	-	7,870,198	7,870,198	-
Interest receivable	-	3,183	3,183	-
Capital assets, net of depreciation	52,351,523	91,220,948	143,572,471	194,235
Total assets	62,799,085	117,312,637	180,111,722	1,023,288
Deferred Outflow of Resources - Pension	418,477	354,991	773,468	29,078
Liabilities				
Accounts payable and accrued expenses	800,044	2,397,297	3,197,341	27,422
Due to other governmental agencies	762	7,117	7,879	-
Other payables	108,645	55,540	164,185	-
Payable from restricted assets				
Revenue bonds payable	-	290,000	290,000	-
Customer deposits	-	1,661,703	1,661,703	-
Unemployment compensation allowance	-	24,000	24,000	-
Long-term liabilities - due within one year				
Bonds, capital leases, notes and contracts	1,312,938	2,373,879	3,686,817	-
Accrued interest	50,985	27,990	78,975	-
Accrued compensated absences	324,706	162,304	487,010	6,582
Long-term liabilities - due in more than one year				
Accrued compensated absences	-	285,748	285,748	4,288
Bonds, capital leases, notes and contracts	11,198,645	40,239,387	51,438,032	-
Net pension liability	18,829,699	14,078,926	32,908,625	766,827
Total liabilities	32,626,424	61,603,891	94,230,315	805,119
Deferred Inflows of Resources				
Unavailable revenue - property taxes	5,874,044	-	5,874,044	-
Bond premium	-	14,237	14,237	-
Pension	543,351	568,653	1,112,004	15,565
Total deferred inflows of resources	6,417,395	582,890	7,000,285	15,565
Net Position				
Net investment in capital assets	39,788,955	48,289,692	88,078,647	194,235
Restricted for:				
Debt service	381,081	-	381,081	-
Community development projects	114,613	-	114,613	-
Other purposes	82,165	-	82,165	64,758
Unrestricted	(16,193,071)	7,191,155	(9,001,916)	(27,311)
Total net position	\$ 24,173,743	\$ 55,480,847	\$ 79,654,590	\$ 231,682

City of Greenwood, Mississippi
Statement of Activities
For the Year Ended September 30, 2019

					Net (Expense) Revenue and Changes In Net Position			
					Primary Government			
Program Revenues								
Operating					Capital Grants			
Charges for					&			
Services					Contributions			
Functions/Programs	Expenses		Contributions	Contributions	Governmental	Business-type	Total	Component
Primary government								
Governmental activities								
General government	\$ 1,913,800	\$ 127,628	\$ 1,545	\$ -	\$ (1,784,627)		\$ (1,784,627)	
Public safety	7,810,863	185,342	217,541	-	(7,407,980)		(7,407,980)	
Public works	2,127,362	124,894	42,852	-	(1,959,616)		(1,959,616)	
Health, welfare and sanitation	129,382	-	124,827	-	(4,555)		(4,555)	
Culture and recreation	731,822	31,863	1,130	34,367	(664,462)		(664,462)	
Economic development	363,485	109,992	-	4,209,244	3,955,751		3,955,751	
Miscellaneous appropriations	620,878	-	-	-	(620,878)		(620,878)	
Interest on long-term debt	169,094	498,367	-	-	329,273		329,273	
Total governmental activities	13,866,686	1,078,086	387,895	4,243,611	(8,157,094)		(8,157,094)	
Business-type activities								
Sewer	5,550,542	3,851,480	-	-		\$ (1,699,062)	(1,699,062)	
Solid waste	2,230,760	2,011,681	3,113	-		(215,966)	(215,966)	
Unemployment compensation	1,063	-	-	-		(1,063)	(1,063)	
Electric and water	35,026,752	27,806,356	-	-		(7,220,396)	(7,220,396)	
Total business-type activities	42,809,117	33,669,517	3,113	-		(9,136,487)	(9,136,487)	
Total primary government	\$ 56,675,803	\$ 34,747,603	\$ 391,008	\$ 4,243,611	(8,157,094)	(9,136,487)	(17,293,581)	
Component Units								
Tourism Commssion	\$ 441,172	\$ -	\$ -	\$ -				\$ (441,172)
Public Library	583,789	15,168	102,699	-				(465,922)
Total component units	\$ 1,024,961	\$ 15,168	\$ 102,699	\$ -				(907,094)
General revenues								
Taxes:								
Property taxes, levied for general purposes					4,605,221	-	4,605,221	-
Property taxes, levled for specific purposes					612,755	-	612,755	-
Franchise taxes					259,637	-	259,637	-
Sales taxes					4,550,439	-	4,550,439	-
Tourlsm sales tax					-	-	-	491,283
Payments from the city and county					-	-	-	385,880
Grants & contributions not restricted to specific programs					204,946	-	204,946	3,870
Unrestrlcted Investment earnings					64,684	396,423	461,107	5,320
Miscellaneous					-	1,084	1,084	2,701
Gain (Loss) on disposal and sale of assets					20,082	70,844	90,926	(2,692)
Transfers					1,413,757	(1,413,757)	-	-
Total general revenues and transfers					11,731,521	(945,406)	10,786,115	886,362
Change In net position					3,574,427	(10,081,893)	(6,507,466)	(20,732)
Net position - beginning, as previously reported					20,599,316	65,562,740	86,162,056	246,280
Prior period adjustment					-	-	-	6,134
Net position - beginning, as restated					20,599,316	65,562,740	86,162,056	252,414
Net posltion - ending					\$ 24,173,743	\$ 55,480,847	\$ 79,654,590	\$ 231,682

City of Greenwood, Mississippi

Balance Sheet Governmental Funds September 30, 2019

	<u>General Fund</u>	<u>Milwaukee Tool Expansion - CDBG</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,823,026	\$ -	\$ 967,084	\$ 2,790,110
Investments	134,971	-	-	134,971
Property taxes receivable, net	5,232,694	-	646,531	5,879,225
Other receivables	54,814	-	25,832	80,646
Intergovernmental receivables	800,748	329,206	231,619	1,361,573
Due from other funds	244,517	-	-	244,517
Total assets	<u>\$ 8,290,770</u>	<u>\$ 329,206</u>	<u>\$ 1,871,066</u>	<u>\$ 10,491,042</u>
Liabilities				
Accounts payable	\$ 146,048	\$ 312,394	\$ 143,379	\$ 601,821
Due to other funds	37,237	16,812	115,636	169,685
Other accrued expenses	198,223	-	-	198,223
Other payables	35,368	-	5,949	41,317
Total liabilities	<u>416,876</u>	<u>329,206</u>	<u>264,964</u>	<u>1,011,046</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>5,228,121</u>	<u>-</u>	<u>645,923</u>	<u>5,874,044</u>
Fund Balances				
Restricted	-	-	821,365	821,365
Assigned	-	-	138,814	138,814
Unassigned	2,645,773	-	-	2,645,773
Total fund balances	<u>2,645,773</u>	<u>-</u>	<u>960,179</u>	<u>3,605,952</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,290,770</u>	<u>\$ 329,206</u>	<u>\$ 1,871,066</u>	<u>\$ 10,491,042</u>

City of Greenwood, Mississippi

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2019

Total fund balance, governmental funds	\$ 3,605,952
Amounts reported for governmental activities in the Statement of Net Position 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 Position	52,351,523
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 Position	23,664
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 Position	34,451
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 Position	(12,887,274)
Net pension obligations recorded in governmental activities are not a financial resource and therefore are not reported in the governmental funds	
Net pension liability	(18,829,699)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in this fund financial statement	
Deferred outflows of resources related to pensions	418,477
Deferred inflows of resources related to pensions	(543,351)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 24,173,743</u>

City of Greenwood, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Milwaukee Tool Expansion - CDBG</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 4,605,221	\$ -	\$ 612,755	\$ 5,217,976
General sales tax	4,550,439	-	-	4,550,439
Fees and fines	127,908	-	8,727	136,635
Licenses and permits	364,181	-	-	364,181
Intergovernmental	327,096	2,851,025	1,758,265	4,936,386
Charges for services	18,675	-	-	18,675
Investment earnings	43,136	-	18,427	61,563
Miscellaneous	50,526	-	667,772	718,298
Total revenues	<u>10,087,182</u>	<u>2,851,025</u>	<u>3,065,946</u>	<u>16,004,153</u>
Expenditures				
Current:				
General government	1,750,836	-	123,780	1,874,616
Public safety	6,936,925	-	236,770	7,173,695
Public works	1,370,222	-	80,663	1,450,885
Health and welfare	-	-	129,382	129,382
Culture and recreation	493,124	-	49,362	542,486
Miscellaneous appropriations	588,678	-	22,200	610,878
Economic development and assistance	-	-	14,796	14,796
Debt Service:				
Principal	176,291	-	927,844	1,104,135
Interest and other charges	16,793	-	152,355	169,148
Capital Outlay	216,720	2,851,025	3,758,224	6,825,969
Total expenditures	<u>11,549,589</u>	<u>2,851,025</u>	<u>5,495,376</u>	<u>19,895,990</u>
Excess (deficiency) of revenues over expenditures	<u>(1,462,407)</u>	<u>-</u>	<u>(2,429,430)</u>	<u>(3,891,837)</u>
Other Financing Sources (Uses)				
Proceeds from loans	-	-	2,333,239	2,333,239
Proceeds from insurance	42,774	-	-	42,774
Sale of personal property	2,883	-	-	2,883
Transfers in	1,400,102	-	365,507	1,765,609
Transfers out	(174,326)	-	(177,526)	(351,852)
Total other financing sources and uses	<u>1,271,433</u>	<u>-</u>	<u>2,521,220</u>	<u>3,792,653</u>
Net change in fund balances	(190,974)	-	91,790	(99,184)
Fund balances - beginning	2,836,747	-	868,389	3,705,136
Fund balances - ending	<u>\$ 2,645,773</u>	<u>\$ -</u>	<u>\$ 960,179</u>	<u>\$ 3,605,952</u>

City of Greenwood, Mississippi
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
And Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - total governmental funds:	\$ (99,184)
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 exceeded depreciation in the current period.	5,260,860
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue	(25,575)
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.	(1,229,050)
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	(1,431)
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	(16,028)
Accrued compensated absences not reflected in the Governmental funds	(4,284)
The Statement of Activities reports pension expenditures and other activity related to the net pension liability	(254,041)
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.	(56,840)
Change in net position of governmental activities	\$ 3,574,427

City of Greenwood, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2019

	<u>Sewage</u> <u>Enterprise Fund</u>	<u>Greenwood</u> <u>Utilities Fund</u>	<u>Other</u> <u>Enterprise Funds</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
Assets					
<u>Current assets</u>					
Cash and cash equivalents	\$ 265,887	\$ 4,998,077	\$ 146,666	\$ 5,410,630	\$ 86,170
Investments	-	5,579,802	-	5,579,802	-
Accounts receivable, net	-	4,266,659	-	4,266,659	19,690
Due from other funds	1,078,756	72,869	181,342	1,332,967	-
Due from other governments	-	-	3,113	3,113	-
Other receivables	800	1,963	-	2,763	-
Inventories	-	953,915	-	953,915	-
Prepaid expenses	14,198	538,359	9,466	562,023	-
Total current assets	1,359,641	16,411,644	340,587	18,111,872	105,860
<u>Non-current assets</u>					
Other long-term receivables	-	3,104	-	3,104	-
Restricted assets					
Cash and cash equivalents	1,505,336	2,477	-	1,507,813	-
Investments	-	7,870,198	-	7,870,198	-
Interest receivable	-	3,183	-	3,183	-
Capital assets, net of depreciation	53,665,345	37,019,837	535,766	91,220,948	-
Total non-current assets	55,170,681	44,898,799	535,766	100,605,246	-
Total assets	56,530,322	61,310,443	876,353	118,717,118	105,860
Deferred Outflow of Resources - Pension	37,346	273,041	44,604	354,991	-
Liabilities					
<u>Current liabilities</u>					
Accounts payable	295,208	1,952,170	94,544	2,341,922	67,328
Salaries payable	17,737	13,790	23,848	55,375	-
Accrued interest payable	27,990	-	-	27,990	-
Due to other funds	35,632	1,297,335	74,832	1,407,799	-
Payable to other governments	-	7,117	-	7,117	-
Sales tax payable	-	54,466	-	54,466	-
Other payables	-	1,074	-	1,074	-
Accrued compensated absences	27,202	99,535	35,567	162,304	-
State revolving loans payable	2,249,025	124,854	-	2,373,879	-
Total current liabilities	2,652,794	3,550,341	228,791	6,431,926	67,328
<u>Payable from restricted assets</u>					
Revenue bonds payable	290,000	-	-	290,000	-
Customer deposits	-	1,661,703	-	1,661,703	-
Unemployment compensation allowance	-	24,000	-	24,000	-
Total payable from restricted assets	290,000	1,685,703	-	1,975,703	-
<u>Non-current liabilities</u>					
Accrued compensated absences	-	285,748	-	285,748	-
Revenue bonds	185,000	-	-	185,000	-
State revolving loans payable	37,658,636	2,395,751	-	40,054,387	-
Net pension liability	1,417,179	10,969,124	1,692,623	14,078,926	-
Total non-current liabilities	39,260,815	13,650,623	1,692,623	54,604,061	-
Total liabilities	42,203,609	18,886,667	1,921,414	63,011,690	67,328
Deferred Inflows of Resources					
Bond premium	14,237	-	-	14,237	-
Pension	49,884	459,187	59,582	568,653	-
Total deferred inflows of resources	64,121	459,187	59,582	582,890	-
Net Position					
Net investment in capital assets	13,254,694	34,499,232	535,766	48,289,692	-
Unrestricted	1,045,244	7,738,398	(1,595,805)	7,187,837	38,532
Total net position	\$ 14,299,938	\$ 42,237,630	\$ (1,060,039)	\$ 55,477,529	\$ 38,532

City of Greenwood, Mississippi
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	<u>Sewage</u> <u>Enterprise</u> <u>Fund</u>	<u>Greenwood</u> <u>Utilities Fund</u>	<u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
Operating Revenues					
Charges for services	\$ 3,848,490	\$ 27,425,007	\$ 1,973,826	\$ 33,247,323	\$ 1,191,455
Reinsurance funds	-	-	-	-	241,966
Miscellaneous	2,990	381,349	38,939	423,278	-
Total operating revenues	<u>3,851,480</u>	<u>27,806,356</u>	<u>2,012,765</u>	<u>33,670,601</u>	<u>1,433,421</u>
Operating Expenses					
Personal services	700,557	-	966,020	1,666,577	-
Contractual services	1,691,468	-	754,434	2,445,902	-
Other supplies and expenses	142,457	-	176,246	318,703	-
Insurance claims and expenses	-	-	-	-	1,511,731
Generating expenses	-	15,506,467	-	15,506,467	-
Distribution expenses	-	2,654,470	-	2,654,470	-
General and administrative expenses	-	4,233,929	-	4,233,929	-
Customer account expenses	-	370,183	-	370,183	-
Production expenses	-	446,576	-	446,576	-
Sales expenses	-	8,117	-	8,117	-
Meter reading	-	414,301	-	414,301	-
Depreciation	2,269,476	2,294,381	327,502	4,891,359	-
Write-off of regulatory asset	-	8,838,179	-	8,838,179	-
Total operating expenses	<u>4,803,958</u>	<u>34,766,603</u>	<u>2,224,202</u>	<u>41,794,763</u>	<u>1,511,731</u>
Operating income (loss)	<u>(952,478)</u>	<u>(6,960,247)</u>	<u>(211,437)</u>	<u>(8,124,162)</u>	<u>(78,310)</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	35,078	360,250	1,095	396,423	3,127
Interest expense	(742,594)	(50,449)	(1,462)	(794,505)	-
Amortization of bond premium (discount)	5,176	-	-	5,176	-
Utility appropriations					
Greenwood Public Schools	-	(150,000)	-	(150,000)	-
Greenwood-Lefflore Industrial Board and others	-	(59,700)	-	(59,700)	-
Gain (loss) on disposal and sale of assets	-	31,811	39,033	70,844	-
Miscellaneous revenue	-	-	-	-	-
Total non-operating revenue (expenses)	<u>(702,340)</u>	<u>131,912</u>	<u>38,666</u>	<u>(531,762)</u>	<u>3,127</u>
Income (loss) before contributions and transfers	<u>(1,654,818)</u>	<u>(6,828,335)</u>	<u>(172,771)</u>	<u>(8,655,924)</u>	<u>(75,183)</u>
Capital & operating grants and contributions	-	-	3,113	3,113	-
Transfers in	536,034	-	52,620	588,654	-
Transfers out	(166,612)	(1,835,799)	-	(2,002,411)	-
Change in net position	<u>(1,285,396)</u>	<u>(8,664,134)</u>	<u>(117,038)</u>	<u>(10,066,568)</u>	<u>(75,183)</u>
Total net position - beginning	<u>15,585,334</u>	<u>50,901,764</u>	<u>(943,001)</u>	<u>65,544,097</u>	<u>113,715</u>
Total net position - ending	<u>\$ 14,299,938</u>	<u>\$ 42,237,630</u>	<u>\$ (1,060,039)</u>	<u>\$ 55,477,529</u>	<u>\$ 38,532</u>
Change in net position, per above				\$ (10,066,568)	
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.				(15,325)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements				<u>\$ (10,081,893)</u>	

City of Greenwood, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	<u>Sewage</u> <u>Enterprise Fund</u>	<u>Greenwood</u> <u>Utilities Fund</u>	<u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
Cash flows from operating activities					
Receipts from customers and users	\$ 3,785,181	\$25,776,626	\$2,018,389	\$31,580,196	\$ -
Receipts from Greenwood Public Schools	-	771,166	-	771,166	-
Receipts from the Greenwood-Leflore Industrial Board and other agencies	-	176,678	-	176,678	-
Receipts from governmental funds	-	308,295	-	308,295	-
Payments for interfund services provided	(78)	-	-	(78)	1,191,455
Receipts from governments	-	-	(323)	(323)	231,159
Receipts for sewer & solid waste collections for others	-	5,694,769	-	5,694,769	-
Receipts from customer meter deposits	-	185,957	-	185,957	-
Receipts from other revenue	2,990	531,131	38,939	573,060	-
Payments for claims	-	-	(1,063)	(1,063)	(1,556,801)
Payments to governmental funds	-	-	72,042	72,042	-
Payments to suppliers for goods and services	(1,960,424)	(19,118,100)	(960,095)	(22,038,619)	-
Payments to employees	(661,763)	(3,673,029)	(916,635)	(5,251,427)	-
Payments for sewer and solid waste collections for others	-	(5,721,398)	-	(5,721,398)	-
Payments for customer meter deposit refunds	-	(124,525)	-	(124,525)	-
Net cash provided by (used for) operating activities	<u>1,165,906</u>	<u>4,807,570</u>	<u>251,254</u>	<u>6,224,730</u>	<u>(134,187)</u>
Cash flows from noncapital financing activities					
Transfers from governmental funds	555,146	-	52,620	607,766	-
Transfers to governmental funds	(166,612)	(1,835,799)	103,500	(1,898,911)	-
Net cash provided by (used for) noncapital financing activities	<u>388,534</u>	<u>(1,835,799)</u>	<u>156,120</u>	<u>(1,291,145)</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(27,882)	(2,183,020)	(246,703)	(2,457,605)	-
Proceeds from sale of capital assets	-	72,812	-	72,812	-
Regulatory asset purchases	-	(45,947)	-	(45,947)	-
Capital & operating grants & contributions received	-	-	3,113	3,113	-
Loan proceeds	-	-	-	-	-
Principal paid on capital debt	(2,643,959)	(122,445)	(253,923)	(3,020,327)	-
Interest paid on capital debt	(750,758)	(50,449)	(1,462)	(802,669)	-
Net cash provided (used) for capital and related financing activities	<u>(3,422,599)</u>	<u>(2,329,049)</u>	<u>(498,975)</u>	<u>(6,250,623)</u>	<u>-</u>
Cash flows provided by (used for) investing activities					
Purchase of investment securities	-	(13,450,000)	-	(13,450,000)	-
Proceeds from sale and maturities of investment securities	-	12,500,000	-	12,500,000	-
Interest on investments	35,078	360,250	1,095	396,423	3,127
Net cash provided by (used for) investing activities	<u>35,078</u>	<u>(589,750)</u>	<u>1,095</u>	<u>(553,577)</u>	<u>3,127</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,833,081)</u>	<u>52,972</u>	<u>(90,506)</u>	<u>(1,870,615)</u>	<u>(131,060)</u>
Cash and cash equivalents at beginning of year	<u>3,604,304</u>	<u>4,947,582</u>	<u>237,172</u>	<u>8,789,058</u>	<u>217,230</u>
Cash and cash equivalents at end of year	<u>\$ 1,771,223</u>	<u>\$ 5,000,554</u>	<u>\$ 146,666</u>	<u>\$ 6,918,443</u>	<u>\$ 86,170</u>

City of Greenwood, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	<u>Sewage</u> <u>Enterprise Fund</u>	<u>Greenwood</u> <u>Utilities Fund</u>	<u>Other</u> <u>Enterprise</u> <u>Funds</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (952,478)	\$ (6,960,247)	\$ (211,437)	\$ (8,124,162)	\$ (78,310)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation expense	2,269,476	2,294,381	327,502	4,891,359	-
Write-off of regulatory asset	-	8,838,179	-	8,838,179	-
Utility appropriations to the Greenwood Public School District	-	(150,000)	-	(150,000)	-
Utility appropriations to other agencies	-	(59,700)	-	(59,700)	-
Provisions for bad debts	-	87,814	-	87,814	-
(Increase) decrease in accounts receivables, net	-	(322,746)	-	(322,746)	(10,807)
(Increase) decrease in due from other governments	-	47,921	(323)	47,598	-
(Increase) decrease in due from other funds	(63,309)	693	44,563	(18,053)	-
(Increase) decrease in other receivables	-	149,662	-	149,662	-
(Increase) decrease in inventories	-	(49,007)	-	(49,007)	-
(Increase) decrease in prepaid expenses	859	(67,453)	571	(66,023)	-
(Increase) decrease in restricted group medical insurance claims receivable	-	124,350	-	124,350	-
Increase (decrease) in accounts payable	(127,358)	358,757	(29,986)	201,413	(45,070)
Increase (decrease) in accrued salaries & benefits payable	2,320	12,025	4,718	19,063	-
Increase (decrease) in customer deposits	-	61,432	-	61,432	-
Increase (decrease) in accrued compensated absences	359	38,518	469	39,346	-
Increase (decrease) in due to other funds	(78)	(683)	72,042	71,281	-
Increase (decrease) in due to other governments	-	(44,760)	-	(44,760)	-
Increase (decrease) in sewer and solid waste collected for the city	-	18,814	-	18,814	-
Increase (decrease) in other payables	-	1,066	-	1,066	-
Increase (decrease) in sales tax payable	-	3,896	-	3,896	-
Increase (decrease) in restricted medical insurance claims payable	-	(11,097)	-	(11,097)	-
Increase (decrease) in pension related balances	36,115	435,755	43,135	515,005	-
Total adjustments	2,118,384	11,767,817	462,691	14,348,892	(55,877)
Net cash provided by operating activities	<u>\$ 1,165,906</u>	<u>\$ 4,807,570</u>	<u>\$ 251,254</u>	<u>\$ 6,224,730</u>	<u>\$ (134,187)</u>

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	\$ 265,887	\$ 4,998,077	\$ 146,666	\$ 5,410,630	\$ 86,170
Restricted assets - cash and cash investments	1,505,336	2,477	-	1,507,813	-
Total cash and cash investments	<u>\$ 1,771,223</u>	<u>\$ 5,000,554</u>	<u>\$ 146,666</u>	<u>\$ 6,918,443</u>	<u>\$ 86,170</u>

City of Greenwood, Mississippi
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 288,941
Property taxes receivable	<u>6,487,932</u>
 Total assets	 <u><u>\$ 6,776,873</u></u>
 Liabilities	
Due to other governments	\$ 108,106
Accrued payroll taxes and benefits payable	177,235
Unavallable revenue - property taxes	6,487,932
Other liabilities	<u>3,600</u>
 Total liabilities	 <u><u>\$ 6,776,873</u></u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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, sewer and solid waste, 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). 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 to local customers in the immediate area. Greenwood Utilities 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.

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

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

During 2018, Greenwood Utilities retired all of its electric generating plant and purchases all of its power through Municipal Energy Agency of Mississippi (MEAM).

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 Legislature passed a new bill, Senate Bill 3016, which extends the funding of the Greenwood Tourism Commission until September 30, 2020. 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 225 Howard 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 and electric and water utilities are classified as business-type activities.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, and (b) 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 position is reported in three parts: net investment in capital assets, restricted net position; and unrestricted net position. 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 franchise 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 position 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 comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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.

Milwaukee Tool Expansion - CDBG – This fund accounts for the Community Development Block Grant funds used for a capital improvement project at Milwaukee Electric Tool Corporation.

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 this definition are reported as non-operating revenues and expenses. 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. Greenwood Utilities first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

As the Board of Commissioners has the authority to set rates, Greenwood Utilities follows the regulated operations provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which provide for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Under these provisions, regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Regulatory liabilities are recorded to reflect probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Additionally, the City reports the following fund types:

Internal Service Fund - This 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.

Fiduciary Funds – These 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 position and changes in net position 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. 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, sewer, solid waste, 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, Deferred Outflows/Inflows of Resources and Net Position or Fund 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. Regulatory Asset

Due to historical operating losses of its generating plant, Greenwood Utilities conducted engineering and financial studies during 2017 and 2018. As a result, the Board of Commissioners voted to retire the electric generating plant assets effective May 31, 2018. In accordance with GASB Statement No. 62 and Statement No. 65 for regulated entities and in accordance with a resolution of the Board of

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Commissioners, Greenwood Utilities recorded the unrecovered portion of the retirement of the Henderson Station generating plant of \$8,792,232 as a regulatory asset. Beginning on October 1, 2018, such amounts were to be amortized using the straight-line method over 10 years. In fiscal year 2019, the Board of Commissioners voted to write-off the balance of the unrecovered plant assets of \$8,792,232 and regulatory costs of \$45,947 incurred during 2019 related to the retirement of the electric generating plant assets effective September 30, 2019. The write-off of the regulatory asset is expected to better reflect the financial position of Greenwood Utilities at September 30, 2019, and the results of its operations in 2020 and future years.

3. Receivables

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

Greenwood Utilities recognized revenue from meters read on a monthly cycle basis. Service that has been rendered from the latest date of each meter reading to month-end is estimated and accrued as unbilled revenue receivables. Unbilled revenue receivables represent \$1,653,228 of total receivables at September 30, 2019.

4. 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.

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

5. Restricted Assets

Restricted assets for Greenwood Utilities' board designations consist of the following categories:

- 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 allowance" account is used to report resources set aside, as required by Mississippi Department of Employment Security, 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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

- 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 assist in the funding of all litigation.
- The “generation decommissioning reserve” account is available to be used for the decommissioning of the generation plant.
- The “group medical claims payable” account is used to finance medical claims under the Greenwood Utilities’ self-insurance medical plan.

Sewage Enterprise restricted assets consist of a sewer revenue fund to hold sewer revenues until needed for operations and/or debt service and a debt service fund to accumulate funds to service the Sewage Enterprise debt.

6. Materials and Supplies Inventories

The Greenwood Utilities’ materials and supplies inventories are valued at cost using the average cost method of inventory valuation. Any damaged or obsolete inventory is written down to fair market value.

7. 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 - \$50,000; improvements other than buildings - \$25,000; machinery and equipment - \$5,000; mobile equipment - \$10,000; and infrastructure – cost or fair market value.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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	33.3-40 years
Generating/distribution systems	20-50 years
Electric and water distribution	33.3 years
Wells and storage tanks	33.3 years
Infrastructure	20-50 years
Improvements other than buildings	20 years
Heavy machinery and equipment	5-25 years
Other furniture and equipment	7 years
Vehicles	5 years
Computer equipment and peripherals	3-5 years

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

8. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

9. Compensated Absences

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.

During fiscal year 2019, Greenwood Utilities voted to use the same accrual schedule that the City of Greenwood uses for its employees' annual leave. The accrual rates were applied back to January 1, 2019. 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, 2019, 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 using the specific identification method, whereby the actual number of vacation leave hours

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

accumulated by each employee is multiplied by the employee's hourly rate at September 30, 2019. 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, 2019. 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, that the employer is required by law to pay as a percentage of compensation upon liquidation of the liability for accumulated personal leave.

10. Deferred Outflows and Inflows of Resources

The balance sheet and statements of net position will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three items that qualify for reporting in the deferred inflow category. The unavailable revenue – property taxes, pension related balances and bond premium reported in the balance sheet and statements of net position, which arises under a modified accrual basis of accounting, represent amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. The unavailable revenues – property taxes that are reported in the statement of net position and balance sheet, arise from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year but levied in the subsequent year. The bond premium in the statement of net position is being amortized over the life of the bonds. The City has one item that qualifies for reporting in the deferred outflow category. The pension related balances reported in the balance sheet and statements of net position, which arise under a modified accrual basis of accounting, represent an amount that are deferred and recognized as an outflow of resources in the periods that the amounts become available. The City reports both deferred inflows and outflows as a result of the implementation of GASB 68 and 71. The pension components of these balances are further explained in Note 4.

11. Interfund Activity

Interfund activity is reported as 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.

12. 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.

City of Greenwood, Mississippi

Notes to Financial Statements

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses 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 eligibility requirements, including time requirements, are met. Resources transmitted before meeting the eligibility requirements are reported as advances by the provider and unearned revenue by the recipient.

13. 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.

14. Fund Equity

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 charter, ordinances or 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 charter, ordinance or 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, 2019.

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

City of Greenwood, Mississippi

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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.

15. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MS PERS Plan and additions to/deductions from the Mississippi Public Employee Retirement Plan and the Disability and Relief - Municipal Retirement Systems Pension Plan and fiduciary net position have been determined on the same basis as they are reported by the two plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. These two plans, funded from both City and employee contributions, are further described in Note 4.

16. Post-Employment Health Care and Life Insurance Benefits

The City and Greenwood Utilities do not incur any costs associated with post-employment benefits for retired employees.

17. 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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures. Actual results could differ from those estimates.

18. Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities by Greenwood Utilities are presented in the accompanying statements of revenues, expenses, and changes in net position on a net basis.

19. Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications have no effect on the change in net position.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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 capital outlay and 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 to be a generally accepted accounting principle in the United States of America. Budget and actual comparisons are presented as required supplementary information 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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

- 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.
- 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 (including transfers out) 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	\$ 12,033,093	\$ 12,335,012	\$ 301,919
Other General Funds	370,510	566,445	195,935
Special Revenue Funds	122,532	16,393,491	16,270,959
Debt Service Funds	1,068,758	1,348,112	279,354
Enterprise Funds	14,333,484	15,317,498	984,014
Internal Service Fund	1,218,015	1,364,500	146,485
	<u>\$ 29,146,392</u>	<u>\$ 47,325,058</u>	<u>\$ 18,178,666</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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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

	Budget	Actual	Overage
General Fund			
Park Division Recreation:			
Capital Outlay	\$ 310	\$ 710	\$ (400)
Park Division Maintenance:			
Supplies	\$ 54,550	\$ 55,812	\$ (1,262)
Other Services & Charges	\$ 58,372	\$ 60,272	\$ (1,900)
Senior Citizens Center:			
Other Services & Charges	\$ 4,400	\$ 4,677	\$ (277)
Miscellaneous Appropriations:			
Main Street Project	\$ 22,568	\$ 23,200	\$ (632)
Library Appropriations	\$ 213,237	\$ 214,089	\$ (852)
Christmas Decorations	\$ 3,500	\$ 8,500	\$ (5,000)
Industrial Rent #13-Rocky Mfg	\$ 2,190	\$ 2,226	\$ (36)
Domestic Violence Grant	\$ 55,520	\$ 55,684	\$ (164)
Transfers Out	\$ 119,120	\$ 174,601	\$ (55,481)

B. Deficit Fund Equity

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

Solid Waste Enterprise Fund	\$ (1,248,875)
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This deficit is not in violation of state law. The Solid Waste Enterprise Fund deficit is the result of the continued payments on the purchase of new garbage trucks and no increase in residential user fees.

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 \$5,222,887 and the bank balances totaled \$5,325,393. Of the bank balances, \$565,971 was insured by federal deposit insurance and \$4,759,422

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

was collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

At year-end, the carrying amount of Greenwood Utilities' deposits was \$18,450,554, and the bank balances totaled \$18,426,053. Of the bank balances, \$966,007 was insured by FDIC, and \$17,460,046 was collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of Greenwood Utilities.

At year-end, the carrying amount of the Tourism's and Library's deposits was \$588,098 and \$143,802, respectively, and the bank balances totaled \$615,156 and \$148,889 (including certificates of deposits), respectively. Of the bank balances, \$336,780 and \$148,889 was insured by federal deposit insurance for the Tourism and Library, respectively, and \$278,376 was collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Greenwood Tourism Commission.

3. Investments

The City and its component units have no investments other than certificates of deposit for the current fiscal year but is eligible to invest as described below. These eligible investments are in accordance with state statute and are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations.

Bonds or direct obligations of the United States of America, State of Mississippi, County or Municipality of Mississippi and School Districts are eligible investments. In addition, certificates of deposit with municipal depositories approved annually by the State Treasurer are also eligible investments. 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.

B. Receivables

Receivables at September 30, 2019, for the primary government's individual major funds and nonmajor and internal service funds in the aggregate (including its blended component unit, Greenwood Utilities) are as follows:

			Other Governmental	
<u>Governmental Funds</u>	General Fund	METCO - CDBG	Funds	Total
Intergovernmental	\$ 800,748	\$ 329,206	\$ 231,619	\$ 1,361,573
Property taxes receivable	5,290,515	-	653,680	5,944,195
Other	54,814	-	25,832	54,814
Gross receivables	6,146,077	329,206	911,131	7,386,414
Less: allowance for uncollectibles	57,821	-	7,149	64,970
Total governmental funds	<u>\$ 6,088,256</u>	<u>\$ 329,206</u>	<u>\$ 903,982</u>	<u>\$ 7,321,444</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

	Sewage Enterprise Fund	Greenwood Utilities	Other Enterprise Funds	Total
Proprietary Funds				
Accounts receivable	\$ -	\$ 4,503,869	\$ -	\$ 4,503,869
Intergovernmental	-	-	3,113	3,113
Other	800	5,067	-	5,867
Gross receivables	800	4,508,936	3,113	4,512,849
Less: allowance for uncollectibles	-	237,210	-	237,210
Total proprietary funds	\$ 800	\$ 4,271,726	\$ 3,113	\$ 4,275,639

Receivables for Greenwood Utilities are reported net of uncollectible amounts. All accounts receivables are due within 15 days. Greenwood Utilities' policy concerning bad debts is to each month credit the allowance for doubtful accounts with an average monthly amount based on history of actual bad accounts written off. When an account is considered uncollectible, it is written off. Revenues are recognized from meters read on a monthly cycle basis. Service that has been rendered from the latest date of each meter reading to month-end is estimated and accrued as unbilled revenue receivables. Unbilled revenue receivables represent \$1,653,228 of total receivables at September 30, 2019.

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 (exclusive of agency funds)	\$ 5,944,195
Less: allowance for uncollectibles	(64,970)
Total property taxes receivable, net	<u>\$ 5,879,225</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Tax millage levies for 2019 were collected in the current fiscal year and statutory maximum millage rates were as follows:

	Levy (in mills)	Purpose	Maximum
<u>City of Greenwood:</u>			
General Fund	40.92	General	None
Debt Service Fund	3.73	Debt Retirement	None
Disability & Relief Fund	5.61	Retirement	None
Total City of Greenwood	<u>50.26</u>		
<u>Greenwood Public Schools:</u>			
District Maintenance	55.00	Public Schools	None
Total Public Schools	<u>55.00</u>		
Total Millage Rate	<u>105.26</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 the 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 unavailable 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 unearned revenue reported in the governmental funds were as follows:

Current year tax assessments - governmental funds (exclusive of agency funds)	<u>Unearned</u> <u>\$ 5,874,044</u>
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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 \$4,550,439 of sales tax revenue.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

C. Changes in Capital Assets

Primary government capital asset activity for governmental activities for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,382,646	\$ -	\$ -	\$ 3,382,646
Construction-in-progress	7,164,130	6,566,290	(63,280)	13,667,140
Total capital assets not being depreciated	10,546,776	6,566,290	(63,280)	17,049,786
 <i>Capital assets being depreciated:</i>				
Infrastructure	26,651,242	-	-	26,651,242
Buildings & improvements	22,838,223	106,239	-	22,944,462
Equipment & furniture	1,394,260	82,761	(7,159)	1,469,862
Mobile equipment	5,408,020	114,848	(40,387)	5,482,481
Total capital assets being depreciated	56,291,745	303,848	(47,546)	56,548,047
 <i>Less accumulated depreciation for:</i>				
Infrastructure	(11,201,052)	(562,151)	-	(11,763,203)
Buildings & improvements	(4,209,965)	(658,039)	-	(4,868,004)
Equipment & furniture	(822,753)	(108,761)	6,444	(925,070)
Mobile equipment	(3,488,514)	(236,158)	34,639	(3,690,033)
Total accumulated depreciation	(19,722,284)	(1,565,109)	41,083	(21,246,310)
Total capital assets being depreciated, net	36,569,461	(1,261,261)	(6,463)	35,301,737
Total governmental activities capital assets, net	\$ 47,116,237	\$ 5,305,029	\$ (69,743)	\$ 52,351,523

Depreciation expense was charged to functions of the primary government for governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 15,252
Public safety	422,839
Public works	629,633
Culture and recreation	170,396
Economic development and assistance	326,989
Total depreciation expense - governmental activities	<u>\$ 1,565,109</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Primary government capital asset activity for business-type activities for the year ended September 30, 2019, was as follows:

<u>Business-type activities:</u>	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 601,020	\$ -	\$ -	\$ 601,020
Construction-in-progress	283,678	2,545,261	(1,995,427)	833,512
Total capital assets not being depreciated	884,698	2,545,261	(1,995,427)	1,434,532
<i>Capital assets being depreciated:</i>				
Infrastructure	67,621,769	-	-	67,621,769
Equipment & furniture	648,640	-	-	648,640
Mobile equipment	3,087,152	274,585	(260,104)	3,101,633
Electric and water production plant	5,388,732	14,728	-	5,403,460
Electric and water distribution plant	52,322,337	1,283,501	-	53,605,838
Electric and water general plant	7,644,461	334,957	(727,165)	7,252,253
Total capital assets being depreciated	136,713,091	1,907,771	(987,269)	137,633,593
<i>Less accumulated depreciation for:</i>				
Infrastructure	(12,036,014)	(2,214,020)	-	(14,250,034)
Equipment & furniture	(407,444)	(52,254)	-	(459,698)
Mobile equipment	(2,388,520)	(330,704)	176,525	(2,542,699)
Electric and water production plant	(636,527)	(195,445)	-	(831,972)
Electric and water distribution plant	(22,784,640)	(1,471,170)	-	(24,255,810)
Electric and water general plant	(5,565,362)	(627,766)	686,164	(5,506,964)
Total accumulated depreciation	(43,818,507)	(4,891,359)	862,689	(47,847,177)
Total capital assets being depreciated, net	92,894,584	(2,983,588)	(124,580)	89,786,416
Total business-type activities capital assets, net	\$ 93,779,282	\$ (438,327)	\$ (2,120,007)	\$ 91,220,948

Depreciation expense was charged to functions of the primary government for business-type activities as follows:

<u>Business-type activities:</u>	
Sewage enterprise	\$ 2,269,476
Greenwood Utilities	2,294,381
Non-major business-type activities	327,502
Total depreciation expense - business-type activities	<u>\$ 4,891,359</u>

Greenwood Utilities allocates depreciation for vehicles used in the construction of plant assets to the underlying construction project. The amount of depreciation allocated was \$138,310 for the year ended September 30, 2019.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Construction work-in-progress is composed of the following:

	<u>Spent-to-date</u>
<u>Governmental activities:</u>	
Fulton Streetscape Project - various open work orders	\$ 100,459
Milwaukee Tool Expansion - various open work orders	<u>13,566,681</u>
Total construction in progress - governmental activities	<u>\$ 13,667,140</u>
<u>Business-type activities:</u>	
Greenwood Utilities - various open work orders	\$ 833,512
Total construction in progress - business-type activities	<u>\$ 833,512</u>

A summary of changes in capital assets for component units is as follows:

<u>Component units:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<i>Capital assets being depreciated:</i>					
Building improvements	\$ 198,043	\$ 14,279	\$ (3,987)	\$ -	\$ 208,335
Books & materials	935,074	42,142	-	-	977,216
Mobile equipment	22,122	-	-	-	22,122
Equipment & furniture	340,538	-	(30,254)	6,341	316,625
Total capital assets being depreciated	<u>1,495,777</u>	<u>56,421</u>	<u>(34,241)</u>	<u>6,341</u>	<u>1,524,298</u>
<i>Less accumulated depreciation for:</i>					
Buildings & improvements	(157,929)	(10,176)	1,296	-	(166,809)
Books & materials	(814,997)	(39,431)	-	-	(854,428)
Mobile equipment	(10,694)	(4,425)	-	-	(15,119)
Equipment & furniture	(309,397)	(13,190)	30,254	(1,374)	(293,707)
Total accumulated depreciation	<u>(1,293,017)</u>	<u>(67,222)</u>	<u>31,550</u>	<u>(1,374)</u>	<u>(1,330,063)</u>
Total capital assets being depreciated, net	<u>\$ 202,760</u>	<u>\$ (10,801)</u>	<u>\$ (2,691)</u>	<u>\$ 4,967</u>	<u>\$ 194,235</u>

Depreciation expense was charged to activities as follows:

Library	\$ 61,715
Tourism Commission	5,507
Total	<u>\$ 67,222</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

D. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances as of September 30, 2019, follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 244,517	\$ 37,237
Milwaukee Tool Expansion - CDBG	-	16,812
Nonmajor governmental funds:		
Drug Court Grant	-	4,561
Domestic Violence Grant	-	9,413
DUI Grant	-	3,788
Traffic Safety Project	-	8,840
Yazoo River Trail (Phase II)	-	82,734
Milwaukee Tool Expansion - DIP	-	6,300
Total Governmental Funds	244,517	169,685
Sewage Enterprise	1,078,756	35,632
Greenwood Utilities	72,869	1,297,335
Nonmajor proprietary funds:		
Solid Waste Enterprise	181,342	71,719
Solid Waste Assistance Grant (Electronic)	-	3,113
Total Proprietary Funds	1,332,967	1,407,799
Total Interfund Receivables/Payables	\$ 1,577,484	\$ 1,577,484

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, 2019

2. Interfund Transfers

Transfers in/transfers out for the primary government follows:

	Transfers In	Transfers Out
General Fund	\$ 1,400,102	\$ 174,326
Nonmajor governmental funds		
Cemetery Project	7,693	-
Special Projects Fund	110,300	10,000
Youth Summer Fun Recreation Program Fund	30,470	-
Industrial Properties Fund	100,000	65,300
Industrial Rent #13 Fund	-	2,226
Urban Youth Corp Project	25,423	-
Domestic Violence Grant	14,575	-
Drug Court Grant	25,000	-
CN Ground Up Grant	1,440	-
CLG-Downtown Project	4,650	-
CLG-Gritney Project	9,750	-
Fulton Streetscape Project	8,057	-
Yazoo River Trail (Phase II)	8,592	-
Milwaukee Tool Expansion (CAP Loan)	9,000	-
Milwaukee Tool Expansion DIP	6,750	-
Brownfield Grant	3,807	-
Urban Renewal Revenue Bonds	-	100,000
Total Governmental Funds	<u>1,765,609</u>	<u>351,852</u>
Sewage Enterprise	536,034	166,612
Greenwood Utilities	-	1,835,799
Nonmajor proprietary funds		
Solid Waste Assistance Grant	22,500	-
Solid Waste Enterprise	30,120	-
Total Proprietary Funds	<u>588,654</u>	<u>2,002,411</u>
Total Transfers in/Transfers out	<u>\$ 2,354,263</u>	<u>\$ 2,354,263</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Interfund transfers at September 30, 2019 consisted of the following:

30,470	From General Fund to Youth Summer Fun Recreation Program to subsidize operations
7,693	From General Fund to Cemetery Fund to subsidize operations
25,423	From General Fund to Urban Youth Corp Project to subsidize operations
8,592	From General Fund to Yazoo River Trail (Phase II) for expenses not covered by grant
4,650	From General Fund to CLG-Downtown Project Fund for match funds
25,000	From General Fund to Drug Court Grant Fund to subsidize operations
9,750	From General Fund to CLG-Gritney Project Fund for match funds
1,440	From General Fund to CN Ground Up Fund for match funds
4,000	From General Fund to Special Projects Fund to cover professional services costs
3,807	From General Fund to Brownfield Grant Fund to cover costs not covered by the grant
6,750	From General Fund to METCO DIP Funds for expenses not covered by grant
9,000	From General Fund for administrative expenses not covered by METCO CAP loan
8,057	From General Fund to Fulton Street Streetscape for costs not covered by grant
15,120	From General Fund to Solid Waste Fund to cover vehicle repairs
10,000	From Special Projects to General Fund for Museum of the Ms Delta appropriation
44,000	From Industrial Properties Fund to General Fund for supervision/finance expenses
15,000	From Industrial Properties Fund to Solid Waste Fund for motor vehicle repairs
6,300	From Industrial Properties Fund to Special Projects Fund for professional services
2,225	From Industrial Rent #13 Fund to General Fund to balance and close fund
100,000	From Urban Renewal Revenue Bonds to Industrial Properties Fund for airport improvements and industrial development travel
125,000	From Sewer Fund to General Fund for supervision/finance expenses
22,500	From Sewer Fund to Solid Waste Assistance Grant Fund to purchase a vehicle
19,112	From Sewer Fund to General Fund for mobile equipment transferred to the engineering department
100,000	From Greenwood Utilities to Special Projects Fund to subsidize operations
922,877	From Greenwood Utilities to the General Fund (\$469,765) and Sewer Revenue Bonds Fund (\$453,112) for in-kind and free electric & water services.
807,922	From Greenwood Utilities to the General Fund to subsidize operations (\$720,000) & (\$82,922) appropriate
5,000	From Greenwood Utilities to General Fund for the Delta Band Festivals appropriation
<u>\$ 2,354,263</u>	

E. Long-term Debt

1. 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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

The City has financed two E-One Aerial Fire Trucks by means of capital leases. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the date of their inception. The outstanding balance of capital leases paid from governmental activities are as follows:

Governmental activities:

\$616,890 Trustmark lease-purchase agreement dated July 19, 2018 for an E-One Custom Pumper on a 2018 Typhoon Chassis; Due in 10 annual installments of \$73,434, beginning October 1, 2019; Interest at 3.18%

\$ 616,890

\$655,663 Trustmark lease-purchase agreement dated January 17, 2012 for an E-One 75' Aerial on a Typhoon Chassis; Due in 10 annual installments of \$75,575, beginning January 12, 2013; Interest at 2.67%

215,136

\$ 832,026

The following is a schedule by years of future minimum lease payments payable under these capital leases together with the present value of the net minimum lease payments as of September 30, 2019:

Fire Truck Lease-E-One 75' Aerial on a Typhoon Chassis

Fiscal Year	Capital Lease		(Memorandum Only)
	Net Minimum Lease Payments	Amount Representing Interest	Minimum Payments
2020	\$ 69,831	\$ 5,744	\$ 75,575
2021	71,695	3,880	75,575
2022	73,610	1,965	75,575
Totals	<u>\$ 215,136</u>	<u>\$ 11,589</u>	<u>\$ 226,725</u>

Fire Truck Lease-E-One Custom Pumper on a 2018 Typhoon Chassis

Fiscal Year	Capital Lease		(Memorandum Only)
	Net Minimum Lease Payments	Amount Representing Interest	Minimum Payments
2020	\$ 49,894	\$ 23,540	\$ 73,434
2021	55,404	18,030	73,434
2022	57,166	16,268	73,434
2023	58,983	14,451	73,434
2024	60,859	12,575	73,434
2025-2029	334,584	32,585	367,169
Totals	<u>\$ 616,890</u>	<u>\$ 117,449</u>	<u>\$ 734,339</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

2. General Obligation Bonds Payable

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 general governmental activities. Bonds issued for proprietary activities are reported in the proprietary funds if they are to be repaid from proprietary revenues. There were no general obligation bonds issued for proprietary activities as of September 30, 2019.

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 each 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 position. 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 October 6, 2016, the City issued \$1,260,000 in Taxable General Obligation MBIA Refunding Bonds, Series 2016, with an interest rate of 2.45% to refund \$1,260,000 of outstanding General Obligation MBIA Bonds, Series 2002 (the "2002 General Obligation MBIA Bond"), with an average interest rate of 3.00%. The net proceeds of \$1,202,809 (after payment of \$57,191 in bond issuance costs) resulted in a net present value savings benefit to the City in the amount of \$119,008. (\$132,300 in original interest on the 2002 General Obligation MBIA Bond (2016 through 2022) less the accrued interest paid in October 2016 in the amount of \$13,292.) The City used the 2016 Bonds proceeds, plus transferred proceeds in the amount of \$13,292 to pay off the 2002 General Obligation MBIA Bond. The new total debt service for the 2016 Refunding Bonds for 2016 through 2022 is \$1,357,326.

On March 31, 2015, the City issued \$2,369,000 in General Obligation Refunding Bonds, Series 2015, with an interest rate of 2.210% to refund \$920,000 of outstanding General Obligation Bonds, Series 2005 (the "2005 General Obligation Bonds"), with an average interest rate of 4.159% and \$1,235,000 of outstanding General Obligation Bonds, Series 2006 (the "2006 General Obligation Bonds"), with an average interest rate of 4.296%. The net proceeds of \$2,267,562 (after payment of \$101,438 in bond issuance costs) resulted in a net present value savings benefit to the City in the amount of \$94,593. The 2005 General Obligation Bonds and the 2006 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 \$117,688.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

The General Obligation Bonds paid from governmental activities are as follows:

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%	\$	545,000
\$2,369,000 2015 General Obligation Refunding Bonds due in annual principal installments of \$208,000 to \$259,000 through October 1, 2025; interest at 2.21%		1,471,000
\$3,000,000 2015 General Obligation Public Improvement Bonds due in annual principal installments of \$100,000 to \$210,000 through February 1, 2035; interest at 2.5% to 3.25%		2,570,000
\$1,260,000 2016 General Obligation MBIA Refunding Bonds due in annual principal installments of \$180,000 through December 1, 2022; interest at 2.45%		720,000
	\$	<u>5,306,000</u>

3. Notes Payable

Capital improvement revolving loans and notes to purchase equipment and vehicles make up the notes payable balance and are included in both governmental and business-type activities. The notes payable paid from governmental and business-type activities are as follows:

Governmental activities:

\$5,000,000 (not to exceed) Mississippi Development Authority Capital Improvements Revolving Loan due in estimated monthly installments of \$27,730 for 240 months at 3% annual interest to be computed daily. Payments to begin 30 days after the project completion date; Funds must be disbursed by December 6, 2019	\$	4,506,915
\$191,059 Bank of Commerce note dated June 14, 2016 for the purchase of various pieces of equipment for the fire department; Due in 5 annual installments of \$40,092, beginning June 14, 2017; Interest at 1.60%; Note is secured by the equipment and payable out of General Fund and Fire Protection Fund		68,065
\$122,536 Bank of Commerce note Dated May 10, 2018 for the purchase of vehicles for the police department; Due in monthly installments of \$3,531, beginning on June 10, 2018; interest at 2.35%; Note is secured by the vehicles and payable out of the General Fund		69,244

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

\$237,752 Bank of Commerce note dated March 27, 2018 for the purchase of radios for the police department; Due in 5 annual installments of \$50,841 beginning March 27, 2019; Interest at 2.24%; Note is secured by the equipment and payable out of the General Fund

192,296

4,836,520

Business-type activities:

\$563,560 Mississippi Development Authority Capital Improvements Revolving Loan due in monthly installments of \$2,857 for 240 months at 2% annual interest to be computed daily. Payments to begin June 1, 2016 payable out of Sewage Enterprise Fund

482,630

\$ 5,319,150

4. State Revolving Loans

The City entered into a loan agreement with the Mississippi Department of Environmental Quality to rehabilitate its sewer system and to construct a new wastewater treatment facility. Greenwood Utilities entered into a loan agreement with the Mississippi Department of Health for various drinking water projects. These loans will be repaid by a reduction in sales tax revenue received from the Mississippi Department of Revenue each month.

Business-type activities:

\$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%

\$ 3,732,148

\$40,078,252 Sewer Rehab Revolving loan due in monthly installments of \$201,559 beginning April 1, 2017, through October 1, 2036; Interest at 1.75%

35,692,883

\$3,159,182 Drinking Water Systems Improvement Revolving loan, 20 year loan; interest at 1.95%; repayment of principal and interest began in April of 2017

2,520,605

\$ 41,945,636

5. Sewer System Revenue Refunding Bonds, Series 2012

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

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

and the government-wide statement of net position. 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.

Business-type activities:

\$4,405,000 Sewer Refunding Bonds, Series 2012, due in annual principal installments of \$185,000 to \$610,000 through September 30, 2021; variable interest at 2% to 2.5%

\$ 475,000

6. Taxable Urban Renewal Revenue Bonds, Series 2016

Governmental activities:

\$2,000,000 Taxable Urban Renewal Revenue Bonds, Series 2016, 0% interest, monthly installments of \$18,519 beginning September 29, 2017 through August 31, 2026

\$ 1,537,037

7. Long-term Debt Transactions

A summary of long-term debt transactions for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 5,996,000	\$ -	\$ 690,000	\$ 5,306,000	\$ 706,000
Urban Renewal Revenue Bond	1,759,259	-	222,222	1,537,037	222,222
Notes Payable	2,627,179	2,333,239	123,898	4,836,520	264,991
Capital Leases	900,041	-	68,015	832,026	119,725
Compensated Absences	320,422	324,706	320,422	324,706	324,706
Total	<u>\$ 11,602,901</u>	<u>\$ 2,657,945</u>	<u>\$ 1,424,557</u>	<u>\$ 12,836,289</u>	<u>\$ 1,637,644</u>
Business-type activities:					
State Revolving Loans	\$ 44,252,784	\$ -	\$ 2,307,148	\$ 41,945,636	\$ 2,349,132
Sewer Revenue Refunding Bonds	910,000	-	435,000	475,000	290,000
Notes Payable	506,886	-	24,256	482,630	24,747
Capital Leases	253,923	-	253,923	-	-
Compensated Absences	408,706	39,346	-	448,052	162,304
Total	<u>\$ 46,332,299</u>	<u>\$ 39,346</u>	<u>\$ 3,020,327</u>	<u>\$ 43,351,318</u>	<u>\$ 2,826,183</u>

8. Legal Debt Margin and Debt Covenants

The City's legal debt margin for the issuance of general obligation bonds was \$15,210,564 at September 30, 2019. There are a number of requirements contained in the various debt obligations. The City is in compliance with all significant requirements.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

9. Annual Maturities Requirements

The annual requirements to amortize all long-term debt outstanding as of September 30, 2019, 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
2020	\$ 526,000	\$ 115,159	\$ 641,159
2021	543,000	102,229	645,229
2022	554,000	88,948	642,948
2023	374,000	77,890	451,890
2024	395,000	69,123	464,123
2025-2029	1,039,000	237,722	1,276,722
2030-2034	945,000	109,556	1,054,556
2035-2039	210,000	3,413	213,413
Totals	\$ 4,586,000	\$ 804,040	\$ 5,390,040

Industrial Rent #260 (Milwaukee Tool Rents)

Fiscal Year	General Obligation Refunding MBIA Bond		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 180,000	\$ 15,435	\$ 195,435
2021	180,000	11,025	191,025
2022	180,000	4,615	184,615
2023	180,000	2,205	182,205
Totals	\$ 720,000	\$ 33,280	\$ 753,280

Milwaukee Took Expansion (Milwaukee Tool Rent) - Capital Improvement Loan

Fiscal Year	Note Payable		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 138,449	\$ 111,121	\$ 249,570
2021	189,505	143,255	332,760
2022	195,269	137,491	332,760
2023	201,208	131,552	332,760
2024	207,328	125,432	332,760
2025-2029	1,135,157	528,643	1,663,800
2030-2034	1,318,617	345,183	1,663,800
2035-2039	1,531,729	132,071	1,663,800
2040	82,738	412	83,150
Totals	\$ 5,000,000	\$ 1,655,160	\$ 6,655,160

As of September 30, 2019, the loan balance was \$4,506,915. The project and loan will be finalized during fiscal year 2020.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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

Fiscal Year	Notes Payable		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 126,542	\$ 6,749	\$ 133,291
2021	104,880	4,145	109,025
2022	48,643	2,198	50,841
2023	49,540	1,108	50,648
Totals	\$ 329,605	\$ 14,200	\$ 343,805

Sewage Enterprise Fund (Water/Sewer Revenues) - Capital Improvement Loan

Fiscal Year	Note Payable		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 24,747	\$ 9,465	\$ 34,212
2021	25,246	8,966	34,212
2022	25,756	8,456	34,212
2023	26,275	7,937	34,212
2024	26,806	7,406	34,212
2025-2029	142,367	28,693	171,060
2030-2034	157,326	13,734	171,060
2035-2039	54,107	983	55,090
Totals	\$ 482,630	\$ 85,640	\$ 568,270

Sewage Enterprise Fund (Water/Sewer Revenues)

Fiscal Year	Sewer Refunding Bonds		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 290,000	\$ 11,295	\$ 301,295
2021	185,000	4,625	189,625
Totals	\$ 475,000	\$ 15,920	\$ 490,920

Milwaukee Tool Expansion Phase I (Milwaukee Tool Rent)

Fiscal Year	Taxable Urban Renewal Revenue Bonds		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 222,222	\$ -	\$ 222,222
2021	222,222	-	222,222
2022	222,222	-	222,222
2023	222,222	-	222,222
2024	222,222	-	222,222
2025-2029	425,927	-	425,927
Totals	\$ 1,537,037	\$ -	\$ 1,537,037

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Sewage Enterprise Fund (Water/Sewer Revenues)

Fiscal Year	State Revolving Loan IV		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 415,741	\$ 70,846	\$ 486,587
2021	424,133	62,454	486,587
2022	432,694	53,893	486,587
2023	441,429	45,160	486,587
2024	450,338	36,250	486,587
2025-2029	1,567,813	54,146	1,621,959
Totals	\$ 3,732,148	\$ 322,749	\$ 4,054,894

Sewage Enterprise Fund (Water/Sewer Revenues)

Fiscal Year	State Revolving Loan V		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 1,808,537	\$ 610,166	\$ 2,418,703
2021	1,840,442	578,261	2,418,703
2022	1,872,909	545,794	2,418,703
2023	1,905,950	512,753	2,418,703
2024	1,939,572	479,131	2,418,703
2025-2029	10,223,333	1,870,178	12,093,511
2030-2034	11,157,467	936,044	12,093,511
2035-2039	4,944,673	94,583	5,039,256
Totals	\$ 35,692,883	\$ 5,626,910	\$ 41,319,793

Drinking Water Systems Improvement Revolving Loan (Greenwood Utilities)

Fiscal Year	State Revolving Loan		(Memorandum Only)
	Principal	Interest	Total
2020	\$ 124,854	\$ 48,040	\$ 172,894
2021	127,311	45,583	172,894
2022	129,816	43,078	172,894
2023	132,370	40,524	172,894
2024	134,974	37,920	172,894
2025-2029	715,766	148,704	864,470
2030-2034	789,006	75,464	864,470
2035-2039	366,508	8,092	374,600
Totals	\$ 2,520,605	\$ 447,405	\$ 2,968,010

F. Tax Increment Limited Obligation Bonds (Conduit Debt)

On June 18, 2015, the City issued Tax Increment Limited Obligation (TIF) Bonds, Series 2015, in the amount of \$265,000 to assist in the infrastructure improvements of the Landing Retail Project, a commercial property that operates as a convenience store and truck fueling station.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

On October 26, 2017, the City issued Tax Increment Limited Obligation (TIF) Bonds, Series 2017, in the amount of \$700,000 to assist in the infrastructure improvements of Cannon Property Development, LLC, a Mississippi limited liability company that is in the process of developing a high quality commercial retail automobile dealership that will offer a new Chrysler, Dodge, Jeep, and Ram dealership.

For both issuances, the City entered into an Interlocal Cooperation Agreement with Leflore County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are a limited obligation of the City payable solely from the tax increment. The bonds are not a general obligation of the City.

\$265,000 Limited Obligation Tax Increment Financing Bonds due in annual installments of \$23,000 to \$33,000 beginning April 1, 2016, through April 1, 2025; interest at 5.25%	<u>\$ 173,000</u>
\$700,0000 Limited Obligation Tax Increment Financing Bonds due in annual installments ranging from \$59,297 to \$67,620 beginning August 15, 2018, through August 15, 2032; interest at 5%	<u>\$ 634,700</u>

G. Net Position/Fund Balance:

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:

	<u>Nonmajor Governmental Funds</u>
<u>Restricted for:</u>	
Public safety	\$ 30,991
Public works	182,075
Health and welfare	14,316
Economic development & assistance	9,532
Debt service	<u>584,451</u>
Total restricted fund balance	821,365
<u>Assigned to:</u>	
Public safety	42,174
Culture & recreation	8,044
Special projects	187
Economic development & assistance	<u>88,409</u>
Total assigned fund balance	<u>138,814</u>
Total fund balances	<u>\$ 960,179</u>

Unrestricted net position for Greenwood Utilities was comprised of unrestricted net position and board designated net position balances of (\$137,460) and \$7,875,858, respectively.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Note 4 – 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. General Information about the Pension Plan

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 state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS, 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS or online at <http://www.pers.ms.gov>.

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

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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

Contributions. Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. §25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contribution rates for PERS are established in accordance with actuarial contribution requirements determined through the most recent June 30 annual valuation and adopted by the PERS Board of Trustees. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plan based on a five-year smoothed expected return, with 20% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan.

PERS members are required to contribute 9% of their annual salary. The employer's contractually required contribution rate for the year ended September 30, 2019, was 15.75% through June 2019, and 17.40% thereafter, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For 2019, the City's and Greenwood Utilities' contribution to the pension plan was \$1,118,946 and \$649,430, respectively.

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

City of Greenwood

At September 30, 2019, the City reported a liability of \$17,953,768, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2019, relative to the total employer contributions of participating employers to PERS. At June 30, 2019, the City's proportion was 0.106565%, which was a decrease of 0.002722% from its proportion of 0.109287%, as of June 30, 2018.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

For the year ended September 30, 2019, the City recognized pension expense of \$1,577,223. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,622	\$ 19,325
Changes of assumptions or other inputs	176,022	-
Net difference between projected and actual earnings on pension plan investments	-	196,426
Changes in proportion	15,915	416,229
Employer contributions subsequent to the measurement date	270,562	-
	<u>\$ 473,121</u>	<u>\$ 631,980</u>

At September 30, 2019, the City reported \$270,562 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during its 2020 fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2019, related to pensions will be recognized in pension expense as follows:

Year Ending September 30,

2019	\$ (58,590)
2020	(414,244)
2021	(38,559)
2022	81,972
	<u>\$ (429,421)</u>

Greenwood Utilities

At September 30, 2019, Greenwood Utilities reported a liability of \$10,969,124 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Greenwood Utilities' proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2019, relative to the total employer contributions of participating employers to PERS. At June 30, 2019, Greenwood Utilities' proportion was 0.062353%, which was a decrease of 0.00456% from its proportion of 0.066913%, as of June 30, 2018.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

For the year ended September 30, 2019, Greenwood Utilities recognized pension expense of \$1,096,167. At September 30, 2019, Greenwood Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,489	\$ 11,807
Changes of assumptions or other inputs	107,542	-
Net difference between projected and actual earnings on pension plan investments	-	120,008
Changes in proportion	-	327,372
Employer contributions subsequent to the measurement date	159,010	-
	<u>\$ 273,041</u>	<u>\$ 459,187</u>

At September 30, 2019, Greenwood Utilities reported \$159,010 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during its 2020 fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2019, related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	
2020	\$ 130
2021	(271,639)
2022	(123,725)
2023	50,078
	<u>\$ (345,156)</u>

3. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.75%
Salary increases	3.00-18.25%, average including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality Rates were based on PubS.H-20(B) Retiree Table with the following adjustments: For males, 112% of male rates 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

rates from 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using MP-218 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019, valuation were based on the experience investigation for the four-year period ending June 30, 2018

For the year ended June 30, 2019, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Expected Real Rate of Return</u>
Domestic equity	27.00%	4.90%
International equity	22.00%	4.75%
Global equity	12.00%	5.00%
Fixed income	20.00%	1.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash equivalents	1.00%	0.25%
	<u>100.00%</u>	

4. Discount Rate

The discount rate used to measure the total pension liability was 7.75% at June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%), and that participating employer contributions will be made at the employer contribution rate of 15.75% through June 30, 2019, and at the new contribution rate of 17.40% thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. Sensitivity of Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The City and Greenwood Utilities' proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the City and Greenwood Utilities' proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

City of Greenwood:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 23,600,848	\$ 17,953,768	\$ 13,292,607

Greenwood Utilities:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 14,419,292	\$ 10,969,124	\$ 8,121,318

6. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report which can be obtained at <http://www.pers.ms.gov>.

7. Payable to the Pension Plan

At September 30, 2019, the City and Greenwood Utilities have no amounts payable for outstanding contributions to the pension plan required for the year ended June 30, 2019.

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 June 30, 2019, the date of the most recent actuarial verification, there were one participating municipal employee and 51 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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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. Net Pension Liability

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability: (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLA's are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plan. The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability	
Measurement Date	June 30, 2019
Total Pension Liability	\$ 6,801,426
Fiduciary Net Position	2,815,693
Net Pension Liability	<u>\$ 3,985,733</u>

A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with FY 2015) and is presented in the Required Supplementary Information Section.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

4. Schedule of Changes in Net Pension Liability

The change in NPL, for the Disability and Relief municipal pension plan, is as follows:

Change in Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2018	\$ 7,102,502	\$ 2,931,288	\$ 4,171,214
Interest	521,385	-	521,385
Difference between expected and actual experience	(49,836)	-	(49,836)
Change of assumptions	(22,718)	-	(22,718)
Contributions - employer	-	446,779	(446,779)
Contributions - employee	-	3,926	(3,926)
Net investment income	-	195,394	(195,394)
Benefit payments, including refunds	(749,907)	(749,907)	-
Administrative expense	-	(8,936)	8,936
Other changes	-	(2,851)	2,851
Net Change	(301,076)	(115,595)	(185,481)
Balances at June 30, 2019	\$ 6,801,426	\$ 2,815,693	\$ 3,985,733

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

5. Pension Expense

At the measurement date, the City recognized total pension expense of \$270,555. Pension expense recognized by the plan is as follows:

	<u>Pension Expense</u>
Service cost	\$ -
Interest on the total pension liability	521,385
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(49,836)
Expensed portion of current-period changes in assumptions	(22,718)
Member contributions	(3,926)
Projected earnings on plan investments	(215,234)
Expensed portion of current-period differences between actual and projected earnings on plan investments	3,968
Administrative expense	8,936
Other	2,852
Recognition of beginning deferred outflows of resources as pension expense	25,128
Total pension expense (income)	<u>\$ 270,555</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

6. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at September 30, 2019, for the Disability and Relief municipal plan are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ -	\$ 20,837
Employer contributions subsequent to the measurement date	27,306	-
	<u>\$ 27,306</u>	<u>\$ 20,837</u>

At September 30, 2019, the City reported \$27,306 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during its 2020 fiscal year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at September 30, 2019, will be recognized in pension expense as follows:

Year ending September 30	Amount
2020	\$ 5,106
2021	(32,441)
2022	2,530
2023	3,968
	<u>\$ (20,837)</u>

7. Discount Rate

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

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

8. Sensitivity of Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The City's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the City's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability	\$ 4,478,952	\$ 3,985,734	\$ 3,551,982

9. Schedule of Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary changes	4.00- 5.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Valuation Date	June 30, 2017
Actuarial Cost Method	Ultimate Asset Reserve
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	Five year smoothed market

Note 5 – 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 to each employee during the preceding year. As of September 30, 2019, the required amounts were funded. Claims totaled \$581 during fiscal year 2019 for the City of Greenwood. The Greenwood Utilities paid \$0 for unemployment claims and \$2,210 as a .5% employer.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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 \$1,436,548 and employee benefit costs and administrative expenses were \$1,511,731 during fiscal year 2019. Claims incurred but not reported at September 30, 2019, in the Employees' Group Benefit Fund are provided for in claims payable and totaled \$67,328.

Effective October 1, 2018, Greenwood Utilities transitioned its employee medical insurance coverage to a third-party commercial insurer.

3. Reconciliation of Changes in Liabilities for Claims

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, October 1, 2017	\$ 61,369	\$ 114,993
Current year claims	-	1,168,737
Interest earnings	483	2,057
Miscellaneous	-	(527)
Claims payments and administration	(3,251)	(1,171,545)
Ending balance, September 30, 2018	58,601	113,715
Current year contributions	-	1,433,421
Interest earnings	1,095	3,127
Miscellaneous	1,084	-
Claims payments and administration	(1,063)	(1,511,731)
Ending balance, September 30, 2019	\$ 59,717	\$ 38,532

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

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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.

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.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

B. Commitments

1. MEAM Joint Venture and Power Purchase Contract

Greenwood Utilities is a participant in the Municipal Energy Agency of Mississippi (MEAM). MEAM is a joint action agency organized and chartered by the State of Mississippi for the purposes of planning, financing, constructing and/or obtaining an electrical power and energy supply for the needs of its member cities: Greenwood, Canton, Durant, Itta Bena, Kosciusko and Leland. These cities manage and operate their own electrical utility system. Each member appoints one commissioner to MEAM's board. Members have no equity interest in MEAM, except for \$63,179 (Greenwood Utilities' share being \$27,856). MEAM is considered to be a joint venture, since no member can unilaterally control the financial or operating policies of MEAM and members have an ongoing financial responsibility. MEAM is exposed to credit risk in its arrangements with its members, suppliers and others.

In 1984, Greenwood Utilities entered into a power purchase contract and power sales contract with MEAM (updated in 1992), which provides that Greenwood Utilities will purchase its electrical power from MEAM through the year 2022. 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.

In 2018 and in accordance with the power sales contract with MEAM, Greenwood Utilities retired its electric generating plant and terminated the power sales contract. This did not have an impact on the power purchase contract. Effective with the electric generating plant retirement on May 31, 2018, Greenwood Utilities will no longer have generating capacity and will no longer receive capacity payments from MEAM.

In 2006, MEAM issued bonds for a 6% undivided interest in Plum Point Energy Station, a 665 MW coal-fired electric generation facility in Mississippi County, AR. Plum Point provides MEAM with a long-term, cost-based source of electricity to meet a portion of its members' base load electricity requirements. MEAM is required to pay its proportionate share of plant operation costs, operating reserves, working capital requirements and plant closure costs. As a result, MEAM has entered into life of unit, take-or-pay power purchase agreements with each of its member municipalities. These power purchase agreements require the municipalities to pay all of MEAM's costs associated with Plum Point.

2. Sales Tax Pledge

The City has pledged sales tax reimbursements from the State of Mississippi to pay the Mississippi Department of Environmental Quality for a sewer rehab revolving loan phase IV to the Sewage Enterprise Fund. The outstanding balance of this loan at September 30, 2019, was \$3,732,148. Detailed information is provided in Note 3.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

The City has also pledged sales tax reimbursements from the State of Mississippi to pay the Mississippi Department of Environmental Quality for a sewer rehab revolving loan phase V for the design and construction of the wastewater treatment facility to the Sewage Enterprise Fund.

The outstanding balance of this loan at September 30, 2019, was \$35,692,883. Detailed information is provided in Note 3.

C. Contingent Liabilities

1. Grants

The City participates in a number of state and federally funded grant programs, principal of which are the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation and the Environmental Protection Agency 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, 2019, 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.

2. Litigation

The City is a defendant in a number of legal actions seeking actual and punitive damages. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effects. The City believes that liability insurance will cover any possible claims.

In the normal course of business, Greenwood Utilities is, from time to time, subject to allegations that may or do result in litigation. Greenwood Utilities evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. No estimate for loss is recorded at September 30, 2019.

3. Milwaukee Tool MBIA Refunding Bonds

The City issued \$3,600,000 General Obligation MBIA Bonds, Series 2002, on December 1, 2002, for Milwaukee Electric Tool Corporation. These bonds were refunded with the \$1,260,000 in Taxable General Obligation MBIA Refunding Bonds, Series 2016, with an interest rate of 2.45%.

See Note 3 for further information. 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 third 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 reimbursement, and (ii) if the City has forfeited its sales tax allocation

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

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.

4. Taxable Urban Renewal Revenue Bonds, Series 2016

The City issued \$2,000,000 Taxable Urban Renewal Revenue Bonds, Series 2016 on September 20, 2016, for the Milwaukee Electric Tool Corporation Expansion Phase II. See Note 3 for further information. Milwaukee Electric Tool Corporation will pay a storage fee to the City for \$5,000 per month beginning on the execution date and ending on the commencement date, and monthly rent for the real property for \$25,832 (\$16,666 rent and \$9,166 maintenance) per month, beginning on the commencement date. The lease will commence on the earlier of August 1, 2014 or the day of the succeeding month from the date when Milwaukee Electric Tool Corporation has taken occupancy of the premises and begun its business operations.

The Bonds shall be registered as to both principal and interest as an obligation of the City. The principal shall be payable from any revenues derived by the City from the following: (i) any available revenues of the City, including the pledge of the General Fund of the City; (ii) income, proceeds, revenues and funds derived from or held in connection with the Urban Renewal Project; and (iii) such other collateral, if any, as may be specified in proposal of the purchaser of the Bonds.

D. Environmental Contingencies

The City and Greenwood Utilities are subject to environmental oversight by various regulatory agencies. These regulatory agencies can potentially make assessments against the City and Greenwood Utilities that may or may not result in penalties or remediation liabilities. The City and Greenwood Utilities evaluate any such matters by conducting investigations to determine the validity of each potential assessment. Based upon the results of the investigation and the projected results of appeals, the City and Greenwood Utilities record an estimate of the amount of ultimate expected loss, if any. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. No such liabilities are recorded at September 30, 2019.

E. Joint Ventures

The following provides the summary financial information of the Municipal Energy Agency of Mississippi (MEAM) as of September 30, 2019, the Greenwood-Leflore Airport September 30, 2016 (September 30, 2017 – 2019, not yet issued) and the Greenwood-Leflore Industrial Board as of September 30, 2018 (September 30, 2019, not yet issued). The percentage share of joint venture applicable to the City of Greenwood for the Greenwood-Leflore Airport and Greenwood-Leflore Industrial Board is fifty percent.

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

Municipal Energy Agency of Mississippi (MEAM)

	<u>2019</u>
Total assets	<u>\$ 116,987,964</u>
Deferred outflows of resources	<u>\$ 62,676</u>
Total liabilities	<u>\$ 87,679,319</u>
Total deferred inflows of resources	<u>\$ 24,071,231</u>
Total net position	<u>\$ 5,300,090</u>
Total revenues	<u>\$ 30,712,130</u>
Total expenses	<u>\$ 30,535,803</u>
Increase (decrease) in net position	<u>\$ 176,327</u>
Total debt	<u>\$ 84,971,457</u>
Net pension liability	<u>\$ 802,335</u>

Financial statements for MEAM can be obtained at the following address: Municipal Energy Agency of Mississippi, 6000 Lakeover Road, Jackson, Mississippi 39213.

Greenwood-Leflore Airport

	<u>2016</u>
Total assets	<u>\$ 11,811,929</u>
Total liabilities	<u>\$ 381,778</u>
Total net position	<u>\$ 11,430,151</u>
Total program and general revenues	<u>\$ 2,226,389</u>
Total expenses	<u>\$ 870,115</u>
Increase (decrease) in net position	<u>\$ 1,356,274</u>
Accrued compensated absences	<u>\$ 15,765</u>

City of Greenwood, Mississippi

Notes to Financial Statements

September 30, 2019

<u>Greenwood-Leflore Industrial Board</u>	<u>2018</u>
Total assets	\$ 54,378
Total liabilities	\$ 54,378
Total net position	\$ -
Total program and general revenues	\$ 178,364
Total expenses	\$ 178,364
Increase (decrease) in net position	\$ -
Accrued compensated absences	\$ 8,420

F. Comprehensive Income

Net comprehensive income is equal to net income.

Note 6 – Prior Period Adjustment

A prior period adjustment of (\$6,134) was made to correct the September 30, 2018 net position related to the understatement of petty cash, grants receivable and fixed assets for the Greenwood-Leflore Public Library, a component unit of the City of Greenwood.

Note 7 – Subsequent Event

Management has evaluated subsequent events through September 29, 2020, the date on which the financial statements were available to be issued.

The COVID-19 pandemic has escalated rapidly in 2020, with a significant number of cases. The COVID-19 virus has affected economic activity. The City of Greenwood has taken a number of measures to mitigate the effects of COVID-19, such as safety and health measures for our people.

At this stage, the impact to the City of Greenwood has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the federal and state government policies and advisements. We will do our utmost to continue our operations in the best way possible without jeopardizing the health of our people.

City of Greenwood, Mississippi
 Budgetary Comparison Schedule - General Fund
 For the year ended September 30, 2019

	<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	\$ 4,730,807	\$ 4,730,807	\$ 4,606,515	\$ (124,292)
Fees and fines	204,100	204,100	127,909	(76,191)
Licenses and permits	368,700	369,900	363,999	(5,901)
Intergovernmental	4,903,025	4,903,025	4,870,074	(32,951)
Charges for services	20,980	19,780	18,675	(1,105)
Investment earnings	25,000	25,000	43,078	18,078
Miscellaneous	41,650	42,400	53,409	11,009
Total revenues	10,294,262	10,295,012	10,083,659	(211,353)
Expenditures				
General government				
Supervision and finance				
Personal services	615,562	615,562	601,327	14,235
Supplies	12,500	12,649	7,952	4,697
Other services and charges	369,425	519,510	460,016	59,494
Capital outlay	900	-	-	-
City clerk's office				
Personal services	195,150	195,250	189,071	6,179
Supplies	9,000	10,500	9,682	818
Other services and charges	41,300	46,700	38,640	8,060
Capital outlay	2,000	4,033	2,057	1,976
City hall building maintenance				
Supplies	11,000	7,000	4,660	2,340
Other services and charges	343,500	339,350	281,310	58,040
Capital outlay	6,000	14,150	14,150	-
Personnel office				
Personal services	117,039	117,039	115,743	1,296
Supplies	2,400	2,400	2,256	144
Other services and charges	9,878	9,878	2,691	7,187
Public safety				
Police department				
Personal services	3,336,102	3,148,866	3,061,570	87,296
Supplies	212,000	233,800	190,700	43,100
Other services and charges	463,200	437,400	371,048	66,352
Capital outlay	35,000	227,301	199,756	27,545
Debt service	90,000	94,000	93,208	792
Municipal court				
Personal services	112,268	112,268	112,225	43
Supplies	4,441	4,441	2,737	1,704
Other services and charges	16,625	16,625	9,752	6,873
Capital outlay	5,000	5,000	3,419	1,581
Fire department				
Personal services	2,845,909	2,788,935	2,666,071	122,864
Supplies	101,600	118,600	93,464	25,136
Other services and charges	118,200	129,200	106,553	22,647
Capital outlay	5,000	15,000	1,778	13,222
Debt service	99,877	113,877	113,876	1
Inspection division				
Personal services	219,022	223,322	223,196	126
Supplies	8,100	8,900	6,725	2,175
Other services and charges	9,409	8,620	6,544	2,076
Capital outlay	6,500	2,189	500	1,689
Public works				
Engineering division				
Personal services	111,365	108,365	104,957	3,408
Supplies	36,950	26,363	22,657	3,706
Other services and charges	12,514	27,239	23,476	3,763
Capital outlay	500	1,012	1,012	-

	<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>		
Street division				
Personal services	450,916	450,916	395,336	55,580
Supplies	194,500	198,174	191,460	6,714
Other services and charges	417,400	414,341	401,127	13,214
Capital outlay	32,000	33,634	33,634	-
Equipment maintenance division				
Personal services	193,962	193,962	162,808	31,154
Supplies	26,890	28,230	27,836	394
Other services and charges	24,355	26,365	22,331	4,034
Capital outlay	500	-	-	-
Inventory control division				
Personal services	-	-	-	-
Supplies	11,900	12,100	11,896	204
Other services and charges	1,051	1,051	901	150
Capital outlay	200	-	-	-
Culture and recreation				
Park division recreation				
Personal services	7,880	12,854	12,854	-
Supplies	10,150	4,550	4,496	54
Other services and charges	2,500	-	-	-
Capital outlay	210	310	710	(400)
Park division maintenance				
Personal services	326,491	321,991	320,859	1,132
Supplies	54,500	54,550	55,812	(1,262)
Other services and charges	46,872	58,372	60,272	(1,900)
Capital outlay	31,030	32,230	32,165	65
Senior citizens center				
Supplies	4,300	4,300	3,024	1,276
Other services and charges	4,400	4,400	4,677	(277)
Miscellaneous appropriations				
Artplace Mississippi	10,000	10,000	10,000	-
Civil defense	22,113	22,113	22,113	-
Foodcorps	2,500	2,500	2,500	-
Main Street Project	20,000	22,568	23,200	(632)
Delta Streets	5,000	5,000	5,000	-
Boys and Girls Club	12,500	12,500	12,500	-
Our house	9,000	9,000	9,000	-
Greenwood Ministerial Association	5,000	5,000	5,000	-
Onnie M Elliott Community Center	5,000	5,000	5,000	-
Armory	5,000	7,500	7,238	262
Library	213,237	213,237	214,089	(852)
Industrial Board	108,000	108,000	94,189	13,811
Humane Society	10,000	10,000	10,000	-
Christmas decorations	7,500	3,500	8,500	(5,000)
Cemetery	10,000	10,000	7,693	2,307
Red Cross	5,000	5,000	5,000	-
Other utility	15,000	16,300	14,981	1,319
Airport	110,000	110,000	110,000	-
Community Band	1,500	1,500	1,500	-
Museum of the Mississippi Delta	15,000	25,000	25,000	-
Greenwood Community Kitchen	5,000	5,000	5,000	-
Greenwood Mentoring Center	1,500	1,500	1,500	-
Fannie Lou Hammer	5,000	5,000	5,000	-
Chamber of Commerce - Fourth of July	3,000	3,000	3,000	-
Total expenditures	<u>12,033,093</u>	<u>12,215,892</u>	<u>11,493,980</u>	<u>721,912</u>
Excess (deficiency) of revenues over expenditures	<u>(1,738,831)</u>	<u>(1,920,880)</u>	<u>(1,410,320)</u>	<u>510,560</u>
Other Financing Sources (Uses)				
Transfers in	1,190,340	1,373,140	1,359,221	(13,919)
Transfers out	-	(119,120)	(174,601)	(55,481)
Total other financing sources (uses)	<u>1,190,340</u>	<u>1,254,020</u>	<u>1,184,620</u>	<u>(69,400)</u>
Net change in fund balances	(548,491)	(666,860)	(225,700)	441,160
Budgetary fund balance - beginning	548,491	666,860	232,288	(434,572)
Budgetary fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,588</u>	<u>\$ 6,588</u>

City of Greenwood, Mississippi
Note A to Budgetary Comparison Schedule
General Fund
For the year ended September 30, 2019

Note A to Budgetary Comparison Schedule:

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	\$ 10,083,659
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	(1,295)
Amount due from the state for sales tax at year end is revenue for financial reporting purposes	6,766
Amount due from the state for liquor license at year end is revenue for financial reporting purposes	450
Proceeds from grant reimbursement funds reclassified to revenue for financial reporting purposes	246
Amount due from franchisees at year end is revenue for financial reporting purposes	239
Proceeds for sale of personal property reported as other financing sources on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(2,883)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - General Fund	<u>\$ 10,087,182</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,493,980
Differences - budget to GAAP:	
The City does not record accrued salaries for budgetary reporting purposes, only for the modified accrual basis	41,189
The City did not record free in-kind services from Greenwood Utilities to the City on the budgetary basis; this amount was recorded for the modified accrual basis	21,769
The City reversed prior year payables on the modified accrual basis but not for the budgetary basis	(115,881)
The City does not record a payable if it is incurred on or before September 30th and paid after October 30th for the budgetary basis, only for the modified accrual basis	63,632
The City recorded a salary transfer from the traffic safety grant for the modified accrual basis but not for the budgetary basis	414
The City transferred a vehicle from the Sewage Enterprise Fund to the General Fund on the modified accrual basis but not for the budgetary basis	19,112
The insurance proceeds from a totaled vehicle are budgetary resources but are regarded as other financing sources, rather than revenue, for financial reporting purposes	42,774
The City transferred money from the general fund to the cemetery fund to subsidize operations on the modified accrual basis but not for the budgetary basis	(7,693)
The City restated interest expense on the modified accrual basis but not for the budgetary basis	(14,000)
The City recorded \$22,568 Main Street Project appropriations on the budgetary basis and \$23,200 on the modified accrual basis	(632)
The City recorded the purchase of bulletproof vests on the modified accrual basis but the expenditure was recorded in the Police Dept Served Fund for the budgetary basis	4,925
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - General Fund	<u>\$ 11,549,589</u>

City of Greenwood, Mississippi

Budgetary Comparison Schedule Milwaukee Tool Expansion - CDBG and Note A to the Budgetary Comparison Schedule
For the year ended September 30, 2019

	<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				
Intergovernmental	\$ -	\$ 2,864,433	\$ 5,695,091	\$ 2,830,658
Total revenues	-	2,864,433	5,695,091	2,830,658
Expenditures				
Economic development & assistance				
Capital outlay	-	2,864,433	2,851,025	13,408
Total expenditures	-	2,864,433	2,851,025	13,408
Excess (deficiency) of revenues over expenditures	-	-	2,844,066	2,844,066
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	2,844,066	2,844,066
Budgetary fund balance - beginning	-	-	-	-
Budgetary fund balance - ending	\$ -	\$ -	\$ 2,844,066	\$ 2,844,066

Note A to Budgetary Comparison Schedule:

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	\$ 5,695,091
Differences - budget to GAAP:	
Grant revenues recognized in the prior year under the modified accrual basis were recognized in the current year under the budgetary basis	(2,844,066)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Milwaukee Tool Expansion - CDBG	\$ 2,851,025
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,851,025
Differences - budget to GAAP:	
No differences	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Milwaukee Tool Expansion - CDBG	\$ 2,851,025

City of Greenwood, Mississippi
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Mississippi Public Employees' Retirement System

Last 10 Fiscal Years*

<u>City of Greenwood</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportionate share of the net pension liability	\$ 17,953,768	\$ 17,408,871	\$ 17,556,777	\$ 18,686,173	\$ 16,804,452
Employer's proportion of the net pension liability	0.107%	0.109%	0.110%	0.109%	0.114%
Employer's covered-employee payroll	\$ 6,271,376	\$ 6,279,085	\$ 6,377,268	\$ 6,300,244	\$ 6,419,149
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	286.28%	277.25%	275.30%	296.59%	261.79%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%
<u>Greenwood Utilities</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportionate share of the net pension liability	\$ 10,969,124	\$ 11,129,621	\$ 10,730,069	\$ 10,983,115	\$ 9,475,618
Employer's proportion of the net pension liability	0.062%	0.067%	0.065%	0.061%	0.061%
Employer's covered-employee payroll	\$ 4,060,908	\$ 4,273,054	\$ 4,140,787	\$ 3,933,479	\$ 3,829,632
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.12%	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

*The amounts presented for each fiscal year were determined as of the measurement date of June 30th of the year in which the fiscal year ends (i.e. June 30, 2019 measurement date used for September 30, 2019).

The average expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period decreased from 3.72 years for the 2015 measurement period to 3.48 for the 2016 measurement period to 3.37 for the 2017 measurement period. The remaining service life decreased in 2019 to 3.76 years from 3.90 years for the 2018 measurement period.

This schedule is presented to illustrate the requirement to show information for 10 years. GASB 68 and 71 were implemented in the fiscal year ending September 30, 2015, and is retroactively applied to all years presented in this report. Until a full 10-year trend is compiled, the employer has only presented information for the years in which information is available.

City of Greenwood, Mississippi
Required Supplementary Information
Schedule of Contributions
Mississippi Public Employees' Retirement System

Last 10 Fiscal Years*

City of Greenwood

	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 1,118,946	\$ 1,116,067	\$ 1,069,742	\$ 1,096,361	\$ 1,117,164
Contributions in relation to the statutorily required contribution	1,118,946	1,116,067	1,069,742	1,096,361	1,117,164
Annual contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	<u>\$ 6,934,323</u>	<u>\$ 7,086,139</u>	<u>\$ 6,792,012</u>	<u>\$ 6,961,023</u>	<u>\$ 7,093,107</u>
Actual contributions as a percentage of covered-employee payroll	16.14%	15.75%	15.75%	15.75%	15.75%

Greenwood Utilities

	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 649,430	\$ 672,209	\$ 653,196	\$ 630,869	\$ 609,678
Contributions in relation to the statutorily required contribution	649,430	672,209	653,196	630,869	609,678
Annual contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	<u>\$ 4,024,263</u>	<u>\$ 4,272,580</u>	<u>\$ 4,147,110</u>	<u>\$ 4,005,517</u>	<u>\$ 3,870,971</u>
Actual contributions as a percentage of covered-employee payroll	16.14%	15.73%	15.75%	15.75%	15.75%

*The amounts presented for each fiscal year were determined as of the employer's fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. GASB 68 and 71 were implemented in the fiscal year ending September 30, 2015, and is retroactively applied to all years presented in this report. Until a full 10-year trend is compiled, the employer has only presented information for the years in which information is available.

City of Greenwood, Mississippi
Required Supplementary Information
Schedule of Changes in the Net Pension Liability
Disability & Relief - Municipal Retirement Systems Pension Plan

	2019	2018	2017	2016	2015
Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 8,764
Interest	521,385	545,172	570,503	597,730	619,518
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(49,836)	(94,373)	(144,384)	(169,577)	(107,862)
Change of assumptions	(22,718)	-	19,779	-	239,110
Benefit payments, including refunds of employee contributions	(749,907)	(765,541)	(779,960)	(778,993)	(802,724)
Net change in total pension liability	(301,076)	(314,742)	(334,062)	(350,840)	(43,194)
Total pension liability - beginning	7,102,502	7,417,244	7,751,306	8,102,146	8,145,340
Total pension liability - ending (a)	<u>\$ 6,801,426</u>	<u>\$ 7,102,502</u>	<u>\$ 7,417,244</u>	<u>\$ 7,751,306</u>	<u>\$ 8,102,146</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 446,779	\$ 447,022	\$ 444,143	\$ 465,290	\$ 501,221
Contributions - member	3,926	4,257	5,227	9,248	8,366
Net investment income	195,394	229,148	392,073	50,338	139,303
Benefit payments, including refunds of employee contributions	(749,907)	(765,541)	(779,960)	(778,993)	(802,724)
Administrative expense	(8,936)	(8,940)	(8,883)	(9,306)	(10,024)
Other changes	(2,852)	(279)	430	7,458	-
Net change in plan fiduciary net position	(115,596)	(94,333)	53,030	(255,965)	(163,858)
Plan net position - beginning	2,931,288	3,025,621	2,972,591	3,228,556	3,392,414
Plan net position - ending (b)	<u>\$ 2,815,692</u>	<u>\$ 2,931,288</u>	<u>\$ 3,025,621</u>	<u>\$ 2,972,591</u>	<u>\$ 3,228,556</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,985,734</u>	<u>\$ 4,171,214</u>	<u>\$ 4,391,623</u>	<u>\$ 4,778,715</u>	<u>\$ 4,873,590</u>
Plan fiduciary net position as a percentage of the total pension liability	41.40%	41.27%	40.79%	38.35%	39.85%
Covered payroll*	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll*	N/A	N/A	N/A	N/A	N/A

*Payroll-related information not provided because plan is closed to new entrants and there are very few remaining active members and many municipalities have no remaining active members.

City of Greenwood, Mississippi
Required Supplementary Information
Schedule of Contributions
Disability & Relief - Municipal Retirement Systems Pension Plan

	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 446,779	\$ 447,022	\$ 444,143	\$ 465,290	\$ 501,221
Contributions in relation to the actuarially determined contributions*	446,779	447,022	444,143	465,290	501,221
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

*Payroll-related information not provided because plan is closed to new entrants and there are very few remaining active members and many municipalities have no remaining active members.

City of Greenwood, Mississippi

Notes to the Schedules of Required Supplementary Information

Note 1 – Changes in Benefit Provisions (Mississippi Public Employees' Retirement System)

- **2016:** Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Note 2 – Changes of Assumptions (Mississippi Public Employees' Retirement System)

- **2015:** The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.
- **2016:** The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- **2017:** The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. In 2017, the wage inflation assumption was reduced from 3.75% to 3.25%. In 2017, withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. Finally, the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- **2019:** The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%, and wage inflation assumption was reduced from 3.25% to 3.00%.

City of Greenwood, Mississippi

Notes to the Schedules of Required Supplementary Information

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

Note 3 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions (Mississippi Public Employees' Retirement System)

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	Five year smoothed market
Price inflation	3.00%
Salary increase	3.25 - 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Note 4 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions (Disability & Relief - Municipal Retirement Systems Pension Plan)

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Price inflation	3.00%
Salary increase	4.00 - 5.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

City of Greenwood, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2019

Name	Position	Company	Bond Amount
Carolyn H. McAdams	Mayor	Travelers Casualty	\$ 100,000
Cynthia Stancel	Chief Administrative Officer	Travelers Casualty	\$ 50,000
Kim Y. Williams	City Clerk	Old Republic Surety	\$ 50,000
Jody Bradley	Police Chief	Travelers Casualty	\$ 50,000
John H. Jennings, Jr.	Councilman	Travelers Casualty	\$ 100,000
Carl Palmer	Councilman	Travelers Casualty	\$ 100,000
Lisa C. Cookston	Councilwoman	Travelers Casualty	\$ 100,000
Charles E. McCoy, Sr.	Councilman	Travelers Casualty	\$ 100,000
Andrew Powell	Councilman	Travelers Casualty	\$ 100,000
David L. Jordan	Councilman	Travelers Casualty	\$ 100,000
Ronald Stevenson	Councilman	Travelers Casualty	\$ 100,000

City of Greenwood, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through program Mississippi Development Authority:			
Community Development Block Grants/State's Program & Nonentitlement Grants In Hawaii	14.228	1134-17-200-ED-01	\$ 2,851,025
Total U.S. Department of Housing and Urban Development			2,851,025
U.S. Department of the Interior			
Passed through Mississippi Department of Archives and History			
Certified Local Government (CLG) Grant Program	15.904	Not Applicable	4,650
Certified Local Government (CLG) Grant Program	15.904	Not Applicable	9,750
Total U.S. Department of the Interior			14,400
U.S. DEPARTMENT OF JUSTICE			
Direct Program			
Bulletproof Vest Program	16.607	Not Applicable	2,463
Passed through Mississippi Department of Public Health			
Violence Against Women Formula Grants	16.017	2018-WF-AX-0047	9,413
Violence Against Women Formula Grants-ARRA	16.588	2017-WF-AX-0047	34,312
Total U.S. Department of Justice			46,188
U.S. Department of Transportation			
Passed through Mississippi Department of Wildlife, Fisheries and Parks			
Recreational Trails Program	20.219	17-RTP-0284	34,367
Passed through Mississippi Department of Public Safety			
Occupant Protection Incentive Grants	20.600	PT-2019-PT-21-31	14,855
Alcohol Open Container Requirements	20.607	154AL-2019-ST-21-31	6,336
Total U.S. Department of Transportation			55,558
U.S. Environmental Protection Agency			
Direct Program			
Brownfields Assessment and Cleanup Cooperative Agreements-ARRA	66.818	00D46416	108,602
Total U.S. Environmental Protection Agency			108,602
TOTAL			\$ 3,075,773

City of Greenwood, Mississippi
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Greenwood under programs of the federal government for the year ended September 30, 2019. The federal award activity of Greenwood Utilities, a blended component unit, is excluded from the schedule of expenditures of federal awards. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Greenwood, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Greenwood.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

The City of Greenwood has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Subrecipients

There were no awards passed through to subrecipients.

Note E - Contingencies

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 Uniform Guidance. 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.

Note F - Loans Payable

In accordance with the Uniform Guidance, 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 and its wastewater treatment facility construction with loans payable to the Mississippi Department of Environmental Quality.

Phase IV sewer improvements 2.0% note dated July 1, 2008

66.458	SRF-C280782-04-2	<u>\$3,732,148</u>
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Phase V wastewater treatment facility 1.75% note dated November 9, 2013

66.458	SRF-C280782-04-2	<u>\$35,692,883</u>
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the City Council
City of Greenwood, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greenwood, Mississippi (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2020. Our report includes a reference to other auditors who audited the financial statements of Greenwood Utilities and the Greenwood-Leflore Public Library System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2019-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Greenwood, Mississippi's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Fred T. Neely & Company, PLLC



Greenwood, Mississippi
September 29, 2020

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**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance
required by the Uniform Guidance**

To the City Council
City of Greenwood, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Greenwood, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Greenwood, Mississippi's major federal programs for the year ended September 30, 2019. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Greenwood, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Greenwood, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Greenwood, Mississippi, complied, in all material respects, with the types of 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, 2019.

Report on Internal Control over Compliance

Management of the City of Greenwood, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Greenwood, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Fred T. Neely & Company, PLLC

Fred T. Neely & Company, PLLC

Greenwood, Mississippi
September 29, 2020

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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 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, 2019 and have issued our report thereon dated September 29, 2020. 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 no material instances of noncompliance with state laws and regulations.

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

Fred T. Neely & Company, PLLC

Greenwood, Mississippi
September 29, 2020

City of Greenwood, Mississippi
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

2019-1. Findings relating to Financial Statements Audit

Condition: Since the City's books were maintained in accordance with state budgetary law, management requested the auditor's to assist in converting the City's 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 States of America. Management also requested the auditors 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.

City of Greenwood, Mississippi
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|----------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes. |
| | b. Significant deficiency(ies) identified? | None reported. |
| 3. | Noncompliance material to financial statements noted? | No. |

Federal Awards:

- | | | |
|----|--|----------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No. |
| | b. Significant deficiency(ies) identified? | None reported. |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No. |
| 7. | Identification of major programs: | |
| | CFDA 14.228 - Community Development Block Grants/State's Program & Nonentitlement Grants in Hawaii | |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | |
| | \$750,000. | |
| 9. | Auditee qualified as a low-risk auditee? | No. |

City of Greenwood, Mississippi
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section II: Financial Statement Findings

Material Weakness

2019-1: Financial Statements and Related Disclosures

Condition: Since the City's books are maintained in accordance with state budgetary law, management requested auditors to assist in converting the City's 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 the auditors 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.

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.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.



CORRECTIVE ACTION PLAN

September 29, 2020

The City of Greenwood, Mississippi, respectfully submits the following corrective action plan for the year ended September 30, 2019.

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, 2019.

The findings from the 2019 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2019-1:

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 note disclosures due to cost constraints.

Please call the Mayor, Carolyn McAdams, at 662-453-2246 should there be any questions.

Sincerely yours,


Carolyn McAdams
Mayor