



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

TOWN OF RENOVA, MISSISSIPPI

Financial Statements

For the Fiscal Year Ended September 30, 2019

TOWN OF RENOVA, MISSISSIPPI
Financial Statements
For the Fiscal Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Basic Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Balance Sheet-Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	10
Statement of Cash Flows – Proprietary Fund	11
Notes to Financial Statements	12-25
Required Supplementary Information (RSI)	
Budgetary Comparison Schedule – General Fund	26
Budgetary Comparison Schedule – Special Revenue Fund	27
Note to RSI: Note A – Explanation of Differences between Budgetary Inflows And Outflows and GAAP Revenues and Expenditures	28
Schedule of Town Contributions-Mississippi Public Employees Retirement System	29
Schedule of the Town's Proportionate Share of the Net Pension Liability- Mississippi Public Employees Retirement System	30
Notes to RSI-Pensions	31-32
Supplementary Information	
Schedule of Surety Bonds for Town Officials	33
Other Reports	
Independent Auditors' Report on Compliance with the Mississippi State Auditor's Requirements and State Laws and Regulations	34

EDMONDSON, BURCHFIELD, HARDY, & ASSOCIATES, PA

CARLTON W. EDMONDSON, JR., CPA
R. ALLEN BURCHFIELD, CPA
MARION J. HARDY, JR., CPA (Retired)

L. JAMIE VAN VULPEN

Certified Public Accountants
217 North Pearman Avenue ♦ P.O. Box 238
Cleveland, Mississippi 38732

Phone (662) 846-6631 ♦ (662) 843-3634 ♦ (662) 843-1040
Fax (662) 846-6632

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Renova
Renova, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business –type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 and each major fund of the Town of Renova, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required supplementary information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 through 28 and the supplemental pension information on pages 29-32 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 content. We have applied certain limited procedures to the this 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 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 Town of Renova, Mississippi's basic financial statements. The financial information listed as supplemental information in the table of contents on page 33 is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Renova, Mississippi.

The supplementary information contained on page 33 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Edmondson, Buckfield, Hardy, & Associates, PA". The signature is written in a cursive, flowing style.

Cleveland, Mississippi
November 23, 2020

Town of Renova, Mississippi
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 159,933.56	\$ 114,758.86	\$ 274,692.42
Investments			
Restricted	-	11,000.00	11,000.00
Other	-	27,122.18	27,122.18
Receivables(net)	174,623.27	30,873.10	205,496.37
Internal balances	5,934.92	(5,934.92)	-
Capital assets			
Land	44,000.00	-	44,000.00
Other capital assets, net of depreciation	274,880.06	897,039.05	1,171,919.11
Other	-	401.00	401.00
Total assets	<u>\$ 659,371.81</u>	<u>\$ 1,075,259.27</u>	<u>\$ 1,734,631.08</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	24,876.20	6,612.66	31,488.86
Total deferred outflows of resources	<u>\$ 24,876.20</u>	<u>\$ 6,612.66</u>	<u>\$ 31,488.86</u>
Liabilities			
Accounts payable and accrued expenses	1,630.69	15,006.78	16,637.47
Accrued interest payable	315.65	-	315.65
Customer deposits	-	5,080.00	5,080.00
Deferred revenue	129,253.38	-	129,253.38
Long-term debt			
Due within one year	7,774.60	-	7,774.60
Due in more than one year	86,921.78	-	86,921.78
Other long-term liabilities			
Net pension liability	167,322.78	56,799.22	224,122.00
Total liabilities	<u>\$ 393,218.88</u>	<u>\$ 76,886.00</u>	<u>\$ 470,104.88</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	8,182.58	2,175.11	10,357.69
Total deferred inflows of resources	<u>\$ 8,182.58</u>	<u>\$ 2,175.11</u>	<u>\$ 10,357.69</u>
Net Position			
Net investment in capital assets	224,183.68	897,039.05	1,121,222.73
Restricted for:			
Fire protection	7,828.34		7,828.34
Revenue bond retirement		11,000.00	11,000.00
Unrestricted (Deficit)	<u>50,834.53</u>	<u>94,771.77</u>	<u>145,606.30</u>
Total net position	<u>\$ 282,846.55</u>	<u>\$ 1,002,810.82</u>	<u>\$ 1,285,657.37</u>

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 84,983.85	\$ 959.71	\$ -	-	\$ (84,024.14)	\$ -	\$ (84,024.14)
Public safety	7,755.75	-	-	-	(7,755.75)	-	(7,755.75)
Public works	33,647.22	-	-	-	(33,647.22)	-	(33,647.22)
Culture and recreation	300.00	-	-	-	(300.00)	-	(300.00)
Interest on long-term debt	3,925.22	-	-	-	(3,925.22)	-	(3,925.22)
Total governmental activities	130,612.04	959.71	-	-	(129,652.33)	-	(129,652.33)
Business-type activities:							
Water & sewer	308,301.98	287,562.13	-	-	-	(20,739.85)	(20,739.85)
Total business-type activities	308,301.98	287,562.13	-	-	-	(20,739.85)	(20,739.85)
Total primary government	\$ 438,914.02	\$ 288,521.84	\$ -	\$ -	(129,652.33)	(20,739.85)	(150,392.18)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					121,970.09	-	121,970.09
Franchise taxes					10,106.29	-	10,106.29
Intergovernmental revenues					69,268.09	-	69,268.09
Interest					150.69	541.00	691.69
Transfers (net)					5,701.00	(5,701.00)	-
Miscellaneous					3,084.07	-	3,084.07
Total general revenues and transfers					210,280.23	(5,160.00)	205,120.23
Change in net assets					80,627.90	(25,899.85)	54,728.05
Net position-beginning					202,218.65	1,028,710.67	1,230,929.32
Prior period adjustment					-	-	-
Net position-ending					\$ 282,846.55	\$ 1,002,810.82	\$ 1,285,657.37

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Balance Sheet
Governmental Funds
September 30, 2019

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and other deposits	\$ 152,105.22	\$ 7,828.34	\$ 159,933.56
Receivables			
Taxes	179,097.08	-	179,097.08
Allowance for uncollectibles	(15,346.37)	-	(15,346.37)
Franchise Fees	2,381.22	-	2,381.22
Intergovernmental	8,491.34	-	8,491.34
Due from other funds	5,934.92	-	5,934.92
	<u>332,663.41</u>	<u>7,828.34</u>	<u>340,491.75</u>
Total assets	<u>\$ 332,663.41</u>	<u>\$ 7,828.34</u>	<u>\$ 340,491.75</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,946.34	\$ -	\$ 1,946.34
Deferred revenue	30,316.71	-	30,316.71
Total liabilities	<u>32,263.05</u>	<u>-</u>	<u>32,263.05</u>
Deferred inflows of resources:			
Deferred property taxes	129,253.38	-	129,253.38
Total deferred inflows of resources	<u>129,253.38</u>	<u>-</u>	<u>129,253.38</u>
Fund balance			
Restricted for:			
Fire protection	-	7,828.34	7,828.34
Unassigned	171,146.98	-	171,146.98
	<u>171,146.98</u>	<u>7,828.34</u>	<u>178,975.32</u>
Total fund balances	<u>171,146.98</u>	<u>7,828.34</u>	<u>178,975.32</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 332,663.41</u>	<u>\$ 7,828.34</u>	<u>\$ 340,491.75</u>

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Fiscal Year Ended September 30, 2019

Total Fund Balances-All Governmental Funds	\$ 178,975.32
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 the governmental funds balance sheet	318,880.06
Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(94,696.38)
Deferred revenues are recognized in the funds when they are considered measureable and available under the modified accrual basis	30,316.71
Net pension liability are not due and payable in the current period and therefor are not reported in the governmental funds balance sheet	(167,322.78)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore are not reported in the governmental funds balance sheet	
Deferred outflows of resources related to pension plan	24,876.20
Deferred inflows of resources related to pension plan	(8,182.58)
Net assets of governmental activities	<u>\$ 282,846.55</u>

The accompanying notes are an integral part of the financial statements.

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

	General	Special Revenue	Total Governmental Funds
Revenues:			
Taxes	\$ 111,056.89	\$ -	\$ 111,056.89
Licenses and permits	11,066.00	-	11,066.00
Intergovernmental	69,268.09	-	69,268.09
Interest earned	131.15	19.54	150.69
Grants	-	-	-
Miscellaneous	3,064.48	-	3,064.48
Total revenues	<u>194,586.61</u>	<u>19.54</u>	<u>194,606.15</u>
Expenditures:			
Current:			
General government	97,017.27	-	97,017.27
Public safety	7,755.75	-	7,755.75
Recreation	300.00	-	300.00
Public works	33,647.22	-	33,647.22
Debt Service			-
Principal	7,470.87	-	7,470.87
Interest and other charges	3,925.22	-	3,925.22
Capital Outlay	-	-	-
Total expenditures	<u>150,116.33</u>	<u>-</u>	<u>150,116.33</u>
Excess(deficiency) of revenues over(under) expenditures	<u>44,470.28</u>	<u>19.54</u>	<u>44,489.82</u>
Other financing sources (uses)			
Proceeds from long-term debt	-	-	-
Operating transfers in	5,701.00	-	5,701.00
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>5,701.00</u>	<u>-</u>	<u>5,701.00</u>
Net change in fund balances	50,171.28	19.54	50,190.82
Fund balance, October 1	<u>120,975.70</u>	<u>7,808.80</u>	<u>128,784.50</u>
Fund balance, September 30	<u><u>\$ 171,146.98</u></u>	<u><u>\$ 7,828.34</u></u>	<u><u>\$ 178,975.32</u></u>

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2019

Net changes in fund balances - total governmental funds	\$ 50,190.82
---------------------------------------------------------	--------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. This is the amount by which depreciation (\$21,884.19) exceeded capital outlays (-0-) in the current period.	(21,884.19)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

Revenues recorded on the governmental funds statements under the modified accrual basis when they are considered measureable and available. Revenues are recorded on the accrual basis in the government wide statements when they are earned regardless of when they are collected.	10,913.20
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	7,470.87
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore pension expense related to these changes are not reported as expenditures in governmental funds	33,937.20
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Change in net assets of governmental activities	<u>\$ 80,627.90</u>
-------------------------------------------------	---------------------

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Statement of Net Position
Proprietary Fund
September 30, 2019

	<u>Water and Sewer Enterprise Fund</u>
Assets	
Current assets:	
Cash and other deposits	\$ 114,758.86
Investments	27,122.18
Receivables, net	30,873.10
Other	401.00
Total current assets	<u>173,155.14</u>
Noncurrent assets:	
Restricted investments	11,000.00
Capital assets	
Property and equipment	2,431,114.49
Less accumulated depreciation	<u>(1,534,075.44)</u>
Total noncurrent assets	<u>908,039.05</u>
Total assets	<u>\$ 1,081,194.19</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	6,612.66
Total deferred outflows of resources	<u>\$ 6,612.66</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 15,006.78
Interest payable	-
Customer deposits	5,080.00
Due to other funds	5,934.92
Bonds payable	
Total current liabilities	<u>26,021.70</u>
Noncurrent liabilities:	
Bonds payable	-
Net pension liability	<u>56,799.22</u>
Total noncurrent liabilities	<u>56,799.22</u>
Total liabilities	<u>\$ 82,820.92</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	2,175.11
Total deferred inflows of resources	<u>\$ 2,175.11</u>
Net position	
Net investment in capital assets	897,039.05
Restricted for revenue bond retirement	11,000.00
Unrestricted	<u>94,771.77</u>
Total net position	<u>\$ 1,002,810.82</u>

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2019

	Water and Sewer Enterprise Fund
Operating revenues:	
Charges for sales and services	\$ 287,562.13
Operating expenses:	
Personal services	11,912.81
Supplies	4,572.09
Other services and charges	202,901.97
Depreciation	88,878.69
Total operating expense	308,265.56
Operating income (loss)	(20,703.43)
Non-operating revenues (expenses)	
Interest revenue	541.00
Interest expense	(36.42)
Total non-operating revenues (expenses)	504.58
Net income (loss) before contributions and transfers	(20,198.85)
Capital contributions	-
Transfers in (out)	(5,701.00)
Change in net position	(25,899.85)
Total net position, beginning of period	1,028,710.67
Total net position, end of period	\$ 1,002,810.82

The accompanying notes are an integral part of the financial statements.

Town of Renova, Mississippi
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2019

	Water and Sewer Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 287,766.18
Payments to suppliers	(206,201.94)
Payments to employees	(21,073.22)
Net cash provided by operating activities	<u>\$ 60,491.02</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in	-
Operating transfers out	(5,701.00)
	<u>\$ (5,701.00)</u>
Cash Flows from Capital and Related Financing Activities:	
Repayments of debt	(9,815.96)
Capital Grant proceeds	-
Purchase of fixed assets	(47,683.90)
Interest paid on long-term debt	(86.93)
Net Cash Used for Capital and Related Financing Activities	<u>\$ (57,586.79)</u>
Cash Flows from Investing Activities	
Purchase of certificate of deposit	(415.75)
Interest earned on operating funds	541.00
Net Cash Provided (Used) by Investing Activities	<u>\$ 125.25</u>
Net increase (decrease) in Cash and Cash Equivalents	(2,671.52)
Cash and Cash Equivalents, October 1	117,430.38
Cash and Cash Equivalents, September 30	<u><u>\$ 114,758.86</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (20,703.43)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	88,878.69
Net pension expense (benefit)	(9,160.41)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	335.05
(Increase) decrease in other receivables	(41.00)
Increase (decrease) in accounts payable	1,272.12
Increase (decrease) in water deposits	(90.00)
Net Cash Provided by Operating Activities	<u><u>\$ 60,491.02</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The Town of Renova, Mississippi is incorporated under the laws of the State of Mississippi and operates under a Code Charter form of government. The Town's major operations include public works and general administration services. In addition, the Town owns and operates a water system.

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

Reporting Entity

The accompanying financial statements present the activities of the Town of Renova (the Town). The Town has no component units for which it is financially accountable.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary funds are not included in these statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other expenses are classified as non-operating in the financial statements.

The Town reports the following major governmental funds:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to specific expenditure purposes. The Town's only special revenue fund is used to account for funds received from the State of Mississippi which are restricted for fire protection.

The Town reports the following major enterprise fund:

Water & Sewer Enterprise Fund – This fund accounts for the operation and maintenance of the Town's water and sewer system.

Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Internal activity is eliminated in these financial statements.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there may be restricted, committed, assigned or unassigned fund balances available to finance the program. It is the Town's policy to first apply restricted amounts, followed by committed, assigned, and then by unassigned fund balances.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mississippi Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Assets, Liabilities, and Net Assets

Deposits and Investments

The Town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the state of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by state laws. The Town has no additional formally adopted deposit or investment policies.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits. These certificates are considered nonparticipating investment contracts and are carried at cost.

Cash and Cash Equivalents

The Town deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts and savings accounts. Cash and other deposits are valued at cost.

Various restrictions on these deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to 105% of the amount not insured by any successors to such insurance corporations.

For the purposes of the statement of cash flows, the Town considers certificates of deposit to be cash equivalents if they have a maturity of three months or less when acquired.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property Tax Calendar

Property taxes attach an enforceable lien on the property as of January 1. Taxes are levied as of January 1 and are payable on or before February 1 of the succeeding year. The Town bills and collects its own property taxes except for the personal auto taxes that are collected and remitted to the Town by the Bolivar County Tax Collector. The millage rate for the Town for 2018 taxes was 34 mills. The entire millage was allocated to the general fund. The distribution of taxes to funds was in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 are not reported in the financial statements since the Town has adopted the option not to record these assets per the provisions of GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful estimated lives in years:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & improvements	20-30
Office Equipment	5
Other Equipment	5
Water & Sewer System	20-40

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Budgets

Budgets are adopted on a basis consistent with the cash basis of accounting. Annual appropriated budgets are adopted for the general, special revenue and proprietary funds. All annual appropriations lapse at fiscal year end. The Mississippi Code Ann. (1972) prescribes cash basis reporting of revenue for budgets and budgeting of expenditures to be disbursed within thirty days after year end.

Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

Restricted Assets

Certain resources set aside for repayment of enterprise revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "Bond Cushion" account is used to pay maturing principal and accruing interest, or both, only whenever and to the extent that funds otherwise provided are insufficient for that purpose. No funds paid into the cushion fund shall be used to prepay the principal unless such prepayment is for the balance of the principal amount of the bond.

The "Bond Depreciation" account is used for the purpose of paying the cost of replacing such parts of the Water and Sewer System as may need replacement in order to keep the system operating in an economical and efficient manner; provided, however, that in the event the funds otherwise established for the payment of principal and interest on the bond should be insufficient for any purpose, funds from the Depreciation fund can be used to pay such accruing interest and to provide for the payment of principal. The "Bond Contingent" account is used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the Water and Sewer System including the construction of reasonable and proper improvements, betterments and extensions; provided, however, that in the event the funds otherwise established for the payment of principal and interest on the bond should be insufficient for any purpose, funds from the Contingent fund can be used to pay such accruing interest and to provide for the payment of principal.

Compensated Absences

The Town did not provide paid vacation or sick leave at the balance sheet date.

Defining Operating Revenues and Expenses

The Town's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Town's water system consist of charges for services and the cost of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

Contributed capital is recorded in the proprietary fund which has received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of retained earnings not appropriate for expenditure or legally segregated for a specific future use.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three categories:

- Invested in capital assets, net of related debt-consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position-consist of net assets that are restricted by the Town's creditors or by the State through restrictions on shared revenues.
- Unrestricted-all other net assets are reported in this category.

Fund Balances in Fund Financial Statements

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. The following are descriptions of the various fund classifications.

Non-spendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in spendable form (such as inventories, prepaid amounts, or long-term portion of loans or notes receivable) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed on the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by the government's intention to be used for specific purposes, but which are neither restricted nor committed. Assignments are to be made by the governing body.

Unassigned fund balance is the residual classification for the general fund. This classification represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Interfund Transfers

The Town uses interfund transfers to provide resources for or to facilitate specific transactions.

Note 2 Legal Compliance – Budget

Prior to August 1, the Mayor or Town Clerk submits to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at Town Hall to obtain taxpayer comments. Prior to September 15, the budget is legally enacted through adoption by the Board of Aldermen. Any revisions that alter the total expenditures of the budget are amended by the Board of Aldermen.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 3 Deposits

Custodial credit risk for deposits is the risk that in the event of a bank's failure, the Town's deposits may not be returned. Since the Town's deposits are fully covered by deposit insurance, custodial credit risk is considered to be minimal.

As of September 30, 2019, the carrying amount of the Town's bank deposits was \$274,692.42 and the respective bank balances totaled \$279,280.38. All of the bank balance was insured through federal depository insurance and the State of Mississippi's collateral pool.

Note 4 Fair Value of Investments

The Town's investments consist of a certificate of deposit. This certificate is considered to be a nonparticipating investment contract and is reported at cost. Due to the relatively short maturity of this financial instrument, cost is considered to approximate market value. This certificate of deposit, carried at cost of \$38,122.18, is covered by federal depository insurance and the State collateral pool and is reported in the Enterprise Fund. This certificate of deposit earned interest of \$415.75 this fiscal year.

Note 5 Receivables

Enterprise Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services and are due the month after billing. The allowance amount is estimated using accounts receivable past due and collection experience.

Water Accounts	\$ 50,873.10
Allowance for uncollectibles	<u>(20,000.00)</u>
Net receivables	<u>\$ 30,873.10</u>

Governmental Receivables and Estimated Uncollectible Accounts

Property taxes	\$ 42,343.70
Property taxes-subsequent year	136,753.38
Franchise fees	2,381.22
Intergovernmental	<u>8,491.34</u>
	189,969.64
Allowance for uncollectibles	<u>(15,346.37)</u>
Net receivables	<u>\$ 174,623.27</u>

The Town does not believe that all delinquent property taxes will be collected within the next year.

Note 6 Intergovernmental Receivables

Amounts of intergovernmental receivables at September 30, 2019 include the following:

General Fund

State of Mississippi-Sales tax	<u>\$ 8,491.34</u>
--------------------------------	--------------------

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 7 Restricted Assets – Investments

A summary of restricted investment balances at September 30, 2019 follows:

Description	Certificate of Deposit
Bond Cushion Account	\$ 6,000.00
Bond Depreciation Account	2,500.00
Bond Contingent Account	2,500.00
	<u>\$ 11,000.00</u>

Amounts included as "reserved for revenue bond retirement" at September 30, 2019, represent the funds necessary to provide for adequate cumulative funding of reserves as required by respective debt instruments (Note 8). The reserve balances are equal to the restricted investment amount. The \$113,000.00 USDA-Rural Development Revenue Bond (#91-03) required the Town to accumulate the reserve accounts.

Note 8 Long-Term Obligations

Revenue Bonds. The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding are as follows:

Water Revenue Bonds. USDA Rural Development #91-03. Water System Improvement Revenue Bond dated 5-23-86, maturity date 5-23-2021, payable in annual interest payments only on 5-23-87 and 5-23-88 and principal and interest of \$8,977.85 thereafter on the anniversary date, interest at 7.125 percent, payable to Rural Development. Outstanding balance at September 30, 2019 was \$0.00. Interest expense of \$86.93 was incurred on this bond in this fiscal year. This entire amount was charged to expense in the Enterprise Fund.

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

General Obligation Bonds. The Town previously completed the issuance of \$150,000 in general obligation bonds to fund the construction of a multi-purpose building to provide a Town Hall, library, and fire station. These bonds were purchased in full by the USDA Rural Development. The bonds were formally issued September 30, 2011 and bear interest at 4%. The bonds are scheduled to be repaid in monthly installments of \$951.75 beginning October 1, 2013 and ending September 1, 2020. Outstanding principal balance at September 30, 2019 was \$94,696.38. Interest expense of \$3,950.13 was incurred on this bond in this fiscal year. This entire amount was charged to expense in the General Fund.

Debt service requirements on long term debt at September 30, 2019 are as follows:

Governmental-type activities:

Fiscal Year Ending September 30	Rural Development Bonds #97-04		
	Interest	Principal	Total
2020	3,646.40	7,774.60	11,421.00
2021	3,329.64	8,091.36	11,421.00
2022	2,999.98	8,421.02	11,421.00
2023	2,656.90	8,764.10	11,421.00
2024	2,299.84	9,121.16	11,421.00
2025-2029	5,612.82	51,492.18	57,105.00
2030	3.44	1,032.57	1,036.01
	<u>\$ 20,549.02</u>	<u>\$ 94,696.99</u>	<u>\$ 115,246.01</u>

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 8 Long-Term Obligations(continued)

Long-term Obligation Activity:

Changes in long-term obligations for the year ended September 30, 2019 were as follows:

Business-type activities:

Water & Sewer:

Rural Development Bonds:

	Balance 10/1/2018	Increases	Decreases	Balance 9/30/2019	Due within One Year
#91-03	\$ 9,815.96	\$ -	\$ 9,815.96	\$ -	\$ -
Total	\$ 9,815.96	\$ -	\$ 9,815.96	\$ -	\$ -

Governmental-type activities:

General Government:

General Obligation Bonds:

	Balance 10/1/2018	Increases	Decreases	Balance 9/30/2019	Due within One Year
#97-04	\$102,167.25	\$ -	\$ 7,470.87	\$ 94,696.38	\$ 7,774.60
Total	\$102,167.25	\$ -	\$ 7,470.87	\$ 94,696.38	\$ 7,774.60

Note 9 Capital Assets

Capital assets activity for the year ended September 30, 2019 was as follows:

	Balance 9/30/2018	Increases	Decreases	Balance 9/30/2019
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 44,000.00	\$ -	\$ -	\$ 44,000.00
Total capital assets not being depreciated	44,000.00	-	-	44,000.00
<i>Capital assets being depreciated:</i>				
Buildings and improvements	414,651.11	-	-	414,651.11
Equipment	62,582.89	-	-	62,582.89
Total capital assets being depreciated	477,234.00	-	-	477,234.00
Less accumulated depreciation for:				
Buildings and improvements	126,569.05	19,825.04	-	146,394.09
Equipment	53,900.70	2,059.15	-	55,959.85
Total accumulated depreciation	180,469.75	21,884.19	-	202,353.94
Total capital assets being depreciated, net	296,764.25	(21,884.19)	-	274,880.06
Governmental activity capital assets, net	\$ 340,764.25	\$ (21,884.19)	\$ -	\$ 318,880.06

Depreciation expense was charged to functions as follows:

Governmental activities:

General government \$ 21,884.19

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 9 Capital Assets (continued)

	Balance 9/30/2018	Increases	Decreases	Balance 9/30/2019
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
None	\$ -	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,610.74	-	-	9,610.74
Water/sewer system	2,312,454.27	47,683.90	-	2,360,138.17
Equipment	61,365.68	-	-	61,365.68
Total capital assets being depreciated	<u>2,383,430.69</u>	<u>47,683.90</u>	<u>-</u>	<u>2,431,114.59</u>
Less accumulated depreciation for:				
Buildings and improvements	9,610.74	-	-	9,610.74
Water/sewer system	1,397,746.40	80,927.47	-	1,478,673.87
Equipment	37,839.71	7,951.22	-	45,790.93
Total accumulated depreciation	<u>1,445,196.85</u>	<u>88,878.69</u>	<u>-</u>	<u>1,534,075.54</u>
Total capital assets being depreciated, net	<u>938,233.84</u>	<u>(41,194.79)</u>	<u>-</u>	<u>897,039.05</u>
Business-type activity capital assets, net	<u>\$ 938,233.84</u>	<u>\$ (41,194.79)</u>	<u>\$ -</u>	<u>\$ 897,039.05</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water & Sewer \$ 88,878.69

Interest expense incurred by business type activities during the period was \$36.42 and was charged to expense.

In proprietary funds, the following estimated useful lives are used to compute depreciation on a straight-line basis:

Water system	20-40 Years
Improvements	10 Years
Equipment	5 Years

Note 10 Solid Waste Disposal

The Town has contracted with Resourceful Environmental Services, Inc. to provide residential garbage collection and disposal. The present monthly rate is \$2,263.45.

Note 11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for these risks. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 12 Pension Plan

Plan Description: The Town contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees Retirement System available at www.pers.ms.gov.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 12 Pension Plan (continued)

Benefits provided: Membership in PERS is a condition of employment granted upon hiring for qualifying employees including officials of the State of Mississippi (the State), state universities, community and junior colleges, teachers and employees of public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become 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% 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% 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% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3% compounded for each fiscal year thereafter.

Contributions. The contribution requirements of PERS members and the Town are established by and may be amended only by the State of Mississippi Legislature. Employees of the Town are required to contribute 9% of covered compensation, and the Town of Renova is required to contribute at an actuarially determined rate, which is currently 17.40% of covered compensation. This rate increased from 15.75% on July 1, 2019. The Town's contributions to the Plan for the year ended September 30, 2019 were \$13,002.91.

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

At September 30, 2019, the Town reported a liability of \$224,122 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 Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019 the Town's proportion was .001274 percent which was a decrease of .000189 percent from its proportion measured at June 30, 2018.

For the year ended September 30, 2019, the Town recognized a pension benefit of \$ 26,394.81. At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 12 Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,443.62	\$ -
Changes of assumptions	379.86	2,975.87
Difference between projected and actual earnings on pension plan investments	-	6,134.20
Changes in proportion and differences between Town contributions and proportionate share of contributions	26,246.25	1,247.62
Town contributions subsequent to the measurement date	3,419.13	-
Total	<u>\$ 31,488.86</u>	<u>\$ 10,357.69</u>

The \$3,419.13 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30

2020	\$ 5,149.35
2021	8,123.45
2022	4,929.64
2023	(490.40)
	<u>\$ 17,712.04</u>

Actuarial 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	2.75 percent
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 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. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2018.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 12 Pension Plan (continued)

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

Asset class	Target allocation percentage	Long-term expected real rate of return
Domestic equity	27.00%	4.90%
International equity	22.00	4.75
Global equity	12.00	5.00
Debt securities	20.00	1.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash	1.00	0.25
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9%) and that employer contributions will be made at the current employer contribution rate (17.40%). 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.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	294,616	224,122	165,935

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 13 Commitments and Contingencies

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal and state governments. Any disallowed claims resulting from noncompliance or other acts including amounts already collected, may constitute a liability.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 14 Financial Instruments

Off-Balance-Sheet Risk

The Town is not a party to any financial instruments which have off-balance-sheet risk of accounting loss.

Significant Group Concentrations of Credit Risk

The Town's exposure to credit risk arises from amounts held in certificates of deposit, demand deposit accounts, saving accounts, and from receivables. The maximum amount of loss from credit risk is the carrying value of those financial instruments.

The collateral requirements for bank deposits are set by state statutes and include FDIC insurance and pledges of certain state and federal securities as part of the State collateral pool. The receivables, including amounts due from individuals and the State of Mississippi are not collateralized.

Note 15 Due To/From Other Funds

As of September 30, 2019, inter-fund receivables and payables resulting from various inter-fund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund		
Due from Water & Sewer Fund	\$ 5,934.92	\$ -
Water & Sewer Proprietary Fund		
Due to General Fund	-	5,934.92
	<u>\$ 5,934.92</u>	<u>\$ 5,934.92</u>

These balances are not expected to be repaid within the next fiscal year.

During this fiscal year, \$15,053.38 was transferred from the proprietary fund to the General Fund to provide funds to reimburse specific expenses.

Note 16 Restricted Fund Balance-Governmental Funds

The restricted fund balance reported in the Special Revenue Fund represents the balance of funds received from the State of Mississippi which can only be expended for fire protection purposes.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 17 Subsequent Events

Subsequent events were evaluated through November 23, 2020 which is the date the financial statements were available to be issued.

In March, 2020 the Federal Government declared a state of emergency related to the severity and magnitude of the COVID-19 outbreak in the United States. In addition, multiple jurisdictions in the State of Mississippi have also declared states of emergency and implemented various restrictions on activity. While there has been no immediate significant impact on the Town's operations, there may be future unspecified impacts to operations.

Required Supplementary Information

Required Supplementary Information
Town of Renova, Mississippi
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 80,000.00	\$ 80,000.00	\$ 101,101.57	\$ 21,101.57
Resources (inflows)				
Property taxes	186,900.00	186,900.00	100,695.51	(86,204.49)
Franchise taxes	12,500.00	12,500.00	11,718.36	(781.64)
Licenses and permits	1,600.00	1,600.00	959.71	(640.29)
Intergovernmental	61,100.00	61,100.00	69,040.97	7,940.97
Interest	100.00	100.00	131.15	31.15
Grants	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Transfers from other funds	-	-	5,701.00	5,701.00
Miscellaneous	5,200.00	5,200.00	3,064.48	(2,135.52)
Amounts available for appropriation	347,400.00	347,400.00	292,412.75	(54,987.25)
Charges to appropriations (outflows)				
General government				
Legislative	14,364.00	14,364.00	14,364.00	-
Executive	29,924.00	31,924.00	19,064.06	12,859.94
Financial administration	53,672.00	53,672.00	48,260.61	5,411.39
Recreation	3,500.00	3,500.00	300.00	3,200.00
Public works				
Maintenance	18,900.00	18,900.00	22,495.55	(3,595.55)
Street lights	13,000.00	13,000.00	11,046.48	1,953.52
Public safety	3,740.00	7,900.00	7,755.75	144.25
Debt service	5,712.00	9,910.00	11,396.09	(1,486.09)
Nondepartmental				
Other	23,500.00	23,500.00	16,352.20	7,147.80
Capital expenditures	-	-	-	-
Transfer to other funds	-	-	-	-
Total charges to appropriations	166,312.00	176,670.00	151,034.74	25,635.26
Budgetary fund balance, September 30	\$ 181,088.00	\$ 170,730.00	\$ 141,378.01	\$ (29,351.99)

Required Supplementary Information
Town of Renova, Mississippi
Budgetary Comparison Schedule-Special Revenue Fund
For the Fiscal Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 7,804.00	\$ 7,804.00	\$ 7,808.80	\$ 4.80
Resources (inflows)				
Intergovernmental	3,820.00	3,820.00	-	(3,820.00)
Interest	12.00	12.00	19.54	7.54
Amounts available for appropriation	11,636.00	11,636.00	7,828.34	(3,807.66)
Charges to appropriations (outflows)				
Public safety				
Other	-	-	-	-
Capital outlay	3,820.00	3,820.00	-	3,820.00
Total charges to appropriations	3,820.00	3,820.00	-	3,820.00
Other financing sources (uses)				
Transfers in	-	-	-	-
Budgetary fund balance, September 30	\$ 7,816.00	\$ 7,816.00	\$ 7,828.34	\$ 12.34

Town of Renova, Mississippi
Note to Budgetary Comparison Schedule
For the Fiscal Year Ended September 30, 2019

Note A - Explanation of differences between Budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 292,412.75	\$ 7,828.34
Differences-budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(101,101.57)	(7,808.80)
Revenues reported on cash basis for budgetary purposes are reported on accrual basis for financial reporting purposes.	8,976.43	-
Proceeds from long-term debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	-	-
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(5,701.00)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 194,586.61</u>	<u>\$ 19.54</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 151,034.74	\$ -
Differences-budget to GAAP:		
Expenditures reported on cash basis for budgetary purposes are reported on accrual basis for financial reporting purposes.	(918.41)	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 150,116.33</u>	<u>\$ -</u>

Required Supplementary Information
Town of Renova
Schedule of the Town Contributions
Mississippi Public Employees Retirement System

	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Contractually required contribution	\$ 16,518.72	\$ 16,849.47	\$ 15,963.03	\$ 15,267.94	\$ 14,705.45	\$ 13,002.91
Contributions in relation to the contractually contractually required contributions	(16,518.72)	(16,849.47)	(15,963.03)	(15,267.94)	(14,705.45)	(13,002.91)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 104,880.00	\$ 106,980.00	\$ 101,352.00	\$ 96,939.00	\$ 93,366.00	\$ 80,496.00
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%	16.15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10 year trend is compiled, the Town has presented information for the years for which data is available.

Required Supplementary Information
Town of Renova
Schedule of the Town's Proportionate Share of the Net Pension Liability
Mississippi Public Employees Retirement System
Determined as of June 30 within each fiscal year

	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Town's proportion of the net pension liability	0.001716%	0.001698%	0.001638%	0.001488%	0.001463%	0.001274%
Town's proportionate share of the net pension liability	208,291	262,477	292,588	247,356	243,340	224,122
Town's covered-employee payroll	104,880	106,980	101,352	96,939	93,366	80,496
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.60%	245.35%	288.68%	255.17%	260.63%	278.43%
Plan fiduciary net position as a percentage of the total pension liability	67.20769%	61.70398%	57.46773%	61.49005%	62.53511%	61.58838%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10 year trend is compiled, the Town has presented information for the years for which data is available.

TOWN OF RENOVA, MISSISSIPPI
Notes to Required Supplementary Information

Pension Schedules

Note 1 Changes of Assumptions

In 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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.5% to 3.0% and from 8.0% to 7.75% respectively.

In 2016:

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.0%.

In 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.

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

In 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%.

TOWN OF RENOVA, MISSISSIPPI
Notes to Required Supplementary Information

Note 1 Changes of Assumptions (continued)

The wage inflation assumption was reduced from 3.25% to 3.00%.

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 2 Changes in benefit provisions

In 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 proceeding year with a minimum rate of 1% and a maximum rate of 5%.

Note 3 Method and Assumptions Used in Calculations of Actuarially Determined Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5 year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Supplementary Information

Town of Renova, Mississippi
Schedule of Surety Bonds for Town Officials
September 30, 2019

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Scheduled Bond-FHA</u>	<u>Blanket Bond</u>
Harvey L Green	Mayor	Ohio Casualty	\$35,000	\$50,000
Pamela Martin	Town Clerk	Ohio Casualty	\$35,000	\$50,000
Marcia Barnes	Secretary	Ohio Casualty	\$35,000	\$50,000
Ruby Towers	Substitute	Ohio Casualty	\$35,000	\$50,000
Desiree Phillips	Substitute	Ohio Casualty	\$35,000	\$50,000
Tony G. Anderson.	Alderman	Ohio Casualty	\$15,000	\$50,000
Jacinta Brown	Alderman	Ohio Casualty	\$15,000	\$50,000
Lenora Payne	Alderman	Ohio Casualty	\$15,000	\$50,000
Milton Hunt	Alderman	Ohio Casualty	\$15,000	\$50,000
Joseph White III	Alderman	Ohio Casualty	\$15,000	\$50,000

OTHER REPORTS

EDMONDSON, BURCHFIELD, HARDY, & ASSOCIATES, PA

CARLTON W. EDMONDSON, JR., CPA
R. ALLEN BURCHFIELD, CPA
MARION J. HARDY, JR., CPA (Retired)

L. JAMIE VAN VULPEN

Certified Public Accountants
217 North Pearman Avenue ♦ P.O. Box 238
Cleveland, Mississippi 38732

Phone (662) 846-6631 ♦ (662) 843-3634 ♦ (662) 843-1040
Fax (662) 846-6632

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE MISSISSIPPI STATE AUDITOR'S REQUIREMENTS AND STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen
Town of Renova
Renova, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2019, which collectively comprise the Town of Renova's basic financial statements and have issued our report thereon dated November 23, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the 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 general-purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations reflected above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the Town's management 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.



Cleveland, Mississippi
November 23, 2020