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**CITY OF GREENWOOD**

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

July 18, 2018

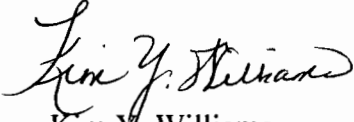
Office of the State Auditor  
Attn: Janice Dendy  
P. O. Box 956  
Jackson, MS 39211

Dear Sir or Madam:

Accompanying this letter are two hard copies of the annual audit of the City of Greenwood, Mississippi, for the fiscal year ended September 30, 2017.

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

Sincerely,

  
Kim Y. Williams  
City Clerk



**CITY OF GREENWOOD, MISSISSIPPI**  
**Financial Statements**  
**For the Year Ended September 30, 2017**

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Financial Statements**  
**For the Year Ended September 30, 2017**

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FINANCIAL SECTION

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William A. Adams, CPA  
Gay G. Moss, CPA



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

## 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, 2017, 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 46 percent, -75 percent, and 53 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 85 percent, respectively, of the assets, net position, and revenues of the business-type activities. 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, 2017, 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 and the budgetary comparison for the General Fund and the 2015 General Obligation Bonds.

***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 3-13, pages 21-24, and pages 83-88, 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 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, 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 June 18, 2018, 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  
June 18, 2018



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## CITY OF GREENWOOD

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

### *Management's Discussion and Analysis For the Year Ended September 30, 2017*

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, 2017. 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.



## **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 on pages 14-16 of this report.

### ***Fund Financial Statements***

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

The analysis of the City's major funds begins on page 17. Fund financial 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 2015 General Obligation Bonds Fund. 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 financial funds 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.

## **City of Greenwood, Mississippi Management's Discussion and Analysis**

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 2015 General Obligation Bonds to demonstrate compliance with their budgets.

The basic governmental funds financial statements can be found on pages 17-24 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 Sewer and Solid Waste Enterprise Funds and the Greenwood Utilities Fund. The City uses an internal service fund to account for its Employee Benefit Trust Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

### ***Notes to the Financial Statements***

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

The notes to the financial statements can be found on pages 30-82 of this report.

### **Financial Highlights:**

Key financial highlights for 2017 were as follows:

- The assets and deferred outflows of the City of Greenwood exceeded its liabilities and deferred inflows at the close of the 2017 fiscal year by \$83,224,936.
- The government's total net position increased by \$1,071,732.
- The total assets and deferred outflows of resources of governmental activities increased by \$1,066,790 from the prior year.
- The City's governmental funds reported total ending fund balance of \$3,710,078 this year. This compares to the prior year ending fund balance of \$6,465,118 showing a decrease of \$2,755,040. Approximately 73% of this total, \$2,716,024 is available for spending at the government's discretion.

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

- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,716,024 or 24% of total General Fund expenditures including transfers and 24% of total General Fund revenues including transfers, sale of personal property and proceeds from loans.

**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 2017 compared to 2016.

**Table 1  
Statement of Net Position (in thousands)**

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current & other assets	\$ 10,069	\$ 13,537	\$ 27,005	\$ 26,471	\$ 37,074	\$ 40,008
Capital assets, net	40,714	34,357	106,426	108,694	147,140	143,051
<b>Total assets</b>	<b>50,783</b>	<b>47,894</b>	<b>133,431</b>	<b>135,165</b>	<b>184,214</b>	<b>183,059</b>
<b>Deferred outflows of resources</b>	<b>919</b>	<b>2,740</b>	<b>1,069</b>	<b>2,283</b>	<b>1,988</b>	<b>5,023</b>
<b>Liabilities</b>						
Current & other liabilities	941	1,861	4,640	5,895	5,581	7,756
Long-term liabilities						
Due within one year	1,382	1,192	2,810	1,800	4,192	2,992
Due in more than one year	27,062	29,403	59,941	60,148	87,003	89,551
<b>Total liabilities</b>	<b>29,385</b>	<b>32,456</b>	<b>67,391</b>	<b>67,843</b>	<b>96,776</b>	<b>100,299</b>
<b>Deferred inflows of resources</b>	<b>5,831</b>	<b>5,359</b>	<b>370</b>	<b>271</b>	<b>6,201</b>	<b>5,630</b>
<b>Net position</b>						
Net investment in capital assets	31,502	24,289	57,229	60,750	88,731	85,039
Restricted for:						
Capital projects	-	2,267	-	-	-	2,267
Debt service	619	1,064	-	-	619	1,064
Community development projects	113	112	-	-	113	112
Other Purposes	165	171	-	-	165	171
Unrestricted	(15,913)	(15,084)	9,510	8,584	(6,403)	(6,500)
<b>Total net position</b>	<b>\$ 16,486</b>	<b>\$ 12,819</b>	<b>\$ 66,739</b>	<b>\$ 69,334</b>	<b>\$ 83,225</b>	<b>\$ 82,153</b>

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 by \$1,881,873. Capital assets increased by \$4,088,964. Net position of the City's governmental and business-type activities increased by \$1,071,732.

**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, 2017, compared to the year ended September 30, 2016.

**Table 2  
Changes in Net Position (in thousands)**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,207	\$ 1,223	\$ 37,691	\$ 36,317	\$ 38,898	\$ 37,540
Operating grants & contributions	366	342	24	3	390	345
Capital grants & contributions	3,074	1,968	2	2,139	3,076	4,107
General revenues						
Property taxes	4,796	4,845	-	-	4,796	4,845
Sales taxes	4,712	4,445	-	-	4,712	4,445
Franchise taxes	250	248	-	-	250	248
Investment earnings	23	6	161	42	184	48
Miscellaneous	-	54	-	-	-	54
Gain (Loss) on disposal & sale of assets	(6)	54	(2)	15	(8)	69
Grants and contributions not restricted to specific programs	202	205	-	-	202	205
<b>Total revenues</b>	<b>14,624</b>	<b>13,390</b>	<b>37,876</b>	<b>38,516</b>	<b>52,500</b>	<b>51,906</b>
<b>Expenses</b>						
General government	1,517	1,600	-	-	1,517	1,600
Public safety	8,022	7,931	-	-	8,022	7,931
Public works	2,320	2,405	-	-	2,320	2,405
Health, welfare & sanitation	170	71	-	-	170	71
Culture & recreation	981	464	-	-	981	464
Economic development	443	309	-	-	443	309
Interest on long-term debt	209	268	-	-	209	268
Miscellaneous appropriations	612	590	-	-	612	590
Sewer	-	-	4,438	4,114	4,438	4,114
Solid waste	-	-	2,236	2,265	2,236	2,265
Unemployment compensation	-	-	9	11	9	11
Electric & water	-	-	30,471	28,853	30,471	28,853
<b>Total expenses</b>	<b>14,274</b>	<b>13,638</b>	<b>37,154</b>	<b>35,243</b>	<b>51,428</b>	<b>48,881</b>
Increase (Decrease) in net position before transfers	350	(248)	722	3,273	1,072	3,025
Transfers	3,317	1,466	(3,317)	(1,466)	-	-
<b>Change in net position</b>	<b>3,667</b>	<b>1,218</b>	<b>(2,595)</b>	<b>1,807</b>	<b>1,072</b>	<b>3,025</b>
Net position - beginning	12,819	11,601	69,334	67,527	82,153	79,128
Net position - ending	<u>\$ 16,486</u>	<u>\$ 12,819</u>	<u>\$ 66,739</u>	<u>\$ 69,334</u>	<u>\$ 83,225</u>	<u>\$ 82,153</u>

## **City of Greenwood, Mississippi Management's Discussion and Analysis**

The increase in net position before transfers for 2017 as compared to 2016 for governmental activities is primarily due to the City receiving grant funds from the Mississippi Department of Transportation for various capital projects. The City also had an increase in grant funds from a Community Development Block Grant for the Milwaukee Tool Project Phase II renovations.

### **Governmental Activities**

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, sales taxes accounted for \$4,712,057 or 47% of general revenues less transfers and property taxes accounted for \$4,795,506 or 48% 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 16% and general government accounted for 11%. The City of Greenwood is committed to providing the best services possible for its citizens.

### **Business-type Activities**

User fees fund our business-type activities. User fees accounted for \$37,691,051 or 99.5% of gross revenues with investment earnings and grants and contributions accounting for the remaining .5% of gross revenues.

Major expense activities include electric/water accounting for 82% of total expenses, sewer accounting for 12% and solid waste accounting for 6%.

### **The City's Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,710,078, a decrease of \$2,755,040 in comparison with the prior year. \$2,716,024 constitutes unassigned fund balance that is available for spending at the City's discretion. Of the remaining fund balance, \$16,788 is restricted for public safety, \$200,302 is restricted for public works, \$16,875 is restricted for health & welfare, \$9,527 for economic development & assistance, and \$619,082 is restricted for debt service. Assigned fund balances are: \$7,177 for culture & recreation, \$60,684 for public safety and \$63,619 for economic development & assistance.

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

Information about the City's major governmental funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. Total governmental revenues were \$14,627,788 and total governmental expenditures were \$21,959,927. Total other financing sources (uses) for governmental funds were \$4,577,099.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,716,024 compared to \$2,742,997 in 2016. The General Fund's unassigned fund balance decreased by \$26,973.

**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 2017, 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 \$11,292,267 and final budgeted revenues including transfers were \$11,759,447. Actual revenue collections including transfers were \$11,673,166 on the budgetary basis. There was no major factor contributing to the decrease in actual revenue compared to budgeted amounts. The General Fund's original budgeted operating expenditures including transfers were \$11,747,141 compared to the final budget amount of \$12,214,321. Actual expenditures including transfers were \$11,474,611 on the budgetary basis.

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

**Capital Assets and General Long-Term Obligations**

JUL 23 2018

*Capital Assets*

**Table 3  
Capital Assets (Net of Depreciation) at Year End  
(amounts expressed in thousands)**

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,383	\$ 3,383	\$ 601	\$ 601	\$ 3,984	\$ 3,984
Infrastructure	16,012	16,574	57,801	58,356	73,813	74,930
Building and improvements	19,286	9,181	-	-	19,286	9,181
Mobile equipment	1,443	1,424	1,092	1,412	2,535	2,836
Equipment and furniture	590	344	307	358	897	702
Electric and water production plant	-	-	14,394	11,548	14,394	11,548
Electric and water distribution plant	-	-	30,039	30,347	30,039	30,347
Electric and water general plant	-	-	2,103	2,192	2,103	2,192
Construction in progress	-	3,451	89	3,880	89	7,331
Total	\$ 40,714	\$ 34,357	\$ 106,426	\$ 108,694	\$ 147,140	\$ 143,051

The primary increase to total capital assets was due to the completion of various projects which included the following: Milwaukee Electric Tool Expansion – Phase II for building improvements, to promote job growth; Linear Park Phase I & II which entailed the conversion of former railroad right-of-way to a linear park emphasizing pedestrian facilities, pavilion, lighting, water feature, site amenities, irrigation, landscaping; Main Street Streetscape which aimed to improve Main Street by constructing ADA-accessible sidewalks and crosswalks, historic lighting, bike racks, landscaping, and signage from Johnson St to Front St; and the remodeling of the Police Station. All aforementioned projects were completed in 2017.

***General Long-Term Obligations***

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 bond, Series 2002. At September 30, 2017, the City of Greenwood had \$6,669,000 in outstanding general obligation bonds, \$46,518,698 in state revolving loans with the Mississippi Department of Environmental Quality, and \$1,515,000 in sewer system refunding bonds. The City also had \$1,981,481 in outstanding taxable urban renewal revenue bonds.

The City's legal debt margin for the issuance of general obligation bonds at September 30, 2017, was \$13,086,913.

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

Table 4 compares the total outstanding long-term obligations of the City at September 30, 2017 to 2016 amounts.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 5,589	\$ 6,069	\$ -	\$ -	\$ 5,589	\$ 6,069
General Obligation MBIA Bond	-	1,260	-	-	-	1,260
Taxable General Obligation MBIA Refunding Bond	1,080	-	-	-	1,080	-
Taxable Urban Renewal Revenue Bond	1,982	2,000	-	-	1,982	2,000
Equipment note (Fire Dept)	154	191	-	-	154	191
State revolving loans	-	-	46,518	44,325	46,518	44,325
Sewer Revenue Refunding Bonds	-	-	1,515	2,125	1,515	2,125
Capital Improvement Loan	-	-	531	554	531	554
Capital lease	371	521	588	946	959	1,467
Compensated absences	325	300	387	366	712	666
<b>Total</b>	<b>\$ 9,501</b>	<b>\$ 10,341</b>	<b>\$ 49,539</b>	<b>\$ 48,316</b>	<b>\$ 59,040</b>	<b>\$ 58,657</b>

The general obligation bonds for the governmental activities are being repaid by an annual debt service tax levy. The taxable general obligation MBIA refunding bonds are being repaid by Milwaukee Electric Tool Corporation in the form of monthly rents of \$24,864. The taxable urban renewal revenue bonds are being repaid by Milwaukee Electric Tool Corporation in the form of monthly rents of \$25,832.

The state revolving loans are repaid by a reduction in sales tax revenue received from the Mississippi Department of Revenue monthly; however, the Sewage Enterprise Fund reimburses the General Fund for the monthly reduction.

The Capital Improvement loan is a revolving loan issued by the Mississippi Development Authority due in monthly installments of \$2,857 for 240 months, paid by the Sewage Enterprise Fund.



## **City of Greenwood, Mississippi Management's Discussion and Analysis**

The sewer revenue refunding bonds are being repaid through sewer user charges and the Fire Department note payable from the General Fund and Fire Protection Fund. Additional information on the City of Greenwood's long-term debt can be found in Note 3 on pages 55-63 of this report.

### **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 2017, the City of Greenwood issued bonds to refund the Milwaukee Electric Tool Corporation General Obligation MBIA Series 2002 Bonds. This refunding issue allowed funds once restricted to now become available for use at the City's discretion.

The renovation of the Greenwood Police Department was completed in the current year. This \$3.9 million state of the art facility was funded by a \$3 million dollar bond issue and \$900,000 was received from Greenwood Utilities. This new magnificent structure houses the police department and municipal court.

In October 2017, the City issued Tax Increment Financing bonds in the amount of \$700,000 to assist in the development of Cannon Motors, a Chrysler, Dodge and Jeep auto dealership.

In 2018, the City of Greenwood entered into a capital lease for the purchase of five new 2018 Dodge Chargers. The purchase of these police vehicles will provide better service in patrolling the City's 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 employment rate is also the lowest it has been in more than 7 years. We have gone from double digit unemployment (as high as 15%) to 7.3% currently.

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.

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

**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.

FINANCIAL STATEMENTS

City of Greenwood, Mississippi  
Statement of Net Position  
September 30, 2017

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
<b>ASSETS</b>				
Cash and equivalents	\$ 3,308,147	\$ 6,851,004	\$ 10,159,151	\$ 603,047
Temporary cash investments	134,567	1,652,471	1,787,038	-
Accounts receivable, net	-	4,185,244	4,185,244	12,171
Property tax receivables	5,398,391	-	5,398,391	-
Other receivables	182,331	445,104	627,435	-
Internal balances	4,644	(4,644)	-	-
Due from other governmental agencies	1,015,151	68,031	1,083,182	72,878
Inventories	-	912,933	912,933	-
Prepays	26,321	120,341	146,662	13,614
Other long-term receivables	-	2,210	2,210	-
Restricted assets				
Cash and cash equivalents	-	5,070,689	5,070,689	63,501
Temporary cash investments	-	7,647,529	7,647,529	-
Group medical insurance claims receivable	-	50,709	50,709	-
Interest receivable	-	3,183	3,183	-
Capital assets, net of depreciation	40,713,603	106,426,056	147,139,659	210,619
Total assets	<u>50,783,155</u>	<u>133,430,860</u>	<u>184,214,015</u>	<u>975,830</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	918,578	1,068,832	1,987,410	35,562
Total deferred outflows of resources	<u>918,578</u>	<u>1,068,832</u>	<u>1,987,410</u>	<u>35,562</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	731,442	2,216,895	2,948,337	21,532
Due to other governmental agencies	3,914	48,046	51,960	-
Unearned revenue	-	-	-	5,074
Other payables	206,386	63	206,449	-
Sales tax payable	-	54,537	54,537	-
Payable from restricted assets				
Revenue bonds payable	-	605,000	605,000	-
Customer deposits	-	1,562,412	1,562,412	-
Unemployment compensation allowance	-	24,000	24,000	-
Group medical insurance claims payable	-	128,938	128,938	-
Long-term liabilities - due within one year				
Bonds, capital leases, notes and contracts	1,020,441	2,624,152	3,644,593	-
Accrued interest	35,999	43,906	79,905	-
Accrued compensated absences	325,161	141,714	466,875	6,177
Long-term liabilities - due in more than one year				
Accrued compensated absences	-	245,748	245,748	4,527
Bonds, capital leases, notes and contracts	8,154,951	45,923,583	54,078,534	-
Net pension liability	18,907,361	13,771,108	32,678,469	664,936
Total liabilities	<u>29,385,655</u>	<u>67,390,102</u>	<u>96,775,757</u>	<u>702,246</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	5,299,643	-	5,299,643	-
Bond premium	-	24,589	24,589	-
Pension	530,926	345,574	876,500	14,521
Total deferred inflows of resources	<u>5,830,569</u>	<u>370,163</u>	<u>6,200,732</u>	<u>14,521</u>
<b>NET POSITION</b>				
Net investment in capital assets	31,502,212	57,229,415	88,731,627	210,619
Restricted for:				
Debt service	619,082	-	619,082	-
Community development projects	112,783	-	112,783	-
Other purposes	164,645	-	164,645	-
McBee Genealogy Fund	-	-	-	5,955
Frank Kerr Memorial Fund	-	-	-	10,000
MS State Unemployment Revolving Fund	-	-	-	4,646
Julie Osterman Christian Books Fund	-	-	-	42,900
Grants management	-	-	-	2,886
Unrestricted	(15,913,213)	9,510,012	(6,403,201)	17,619
Total net position	<u>\$ 16,485,509</u>	<u>\$ 66,739,427</u>	<u>\$ 83,224,936</u>	<u>\$ 294,625</u>

City of Greenwood, Mississippi  
Statement of Activities  
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
General government	\$ 1,517,343	\$ 84,916	\$ 18,149	\$ -
Public safety	8,022,469	309,511	155,011	86,997
Public works	2,319,976	119,308	13,202	1,068,657
Health, welfare and sanitation	170,079	-	176,996	-
Culture and recreation	980,999	30,442	2,757	1,196,547
Economic development	442,540	123,085	-	721,501
Miscellaneous appropriations	611,705	-	-	-
Interest on long-term debt	209,194	539,897	-	-
Total governmental activities	<u>14,274,305</u>	<u>1,207,159</u>	<u>366,115</u>	<u>3,073,702</u>
Business-type activities				
Sewer	4,438,122	3,899,461	-	-
Solid waste	2,236,362	1,841,859	23,941	2,235
Unemployment compensation	9,072	-	-	-
Electric and water	30,470,227	31,949,731	-	-
Total business-type activities	<u>37,153,783</u>	<u>37,691,051</u>	<u>23,941</u>	<u>2,235</u>
Total primary government	<u>\$ 51,428,088</u>	<u>\$ 38,898,210</u>	<u>\$ 390,056</u>	<u>\$ 3,075,937</u>
<b>Component Units</b>				
Tourism Commission	\$ 329,077	\$ -	\$ -	\$ -
Public Library	581,111	16,327	108,629	-
Total component units	<u>\$ 910,188</u>	<u>\$ 16,327</u>	<u>\$ 108,629</u>	<u>\$ -</u>

**General revenues**

**Taxes:**

- Property taxes, levied for general purposes
- Property taxes, levied for specific purposes
- Franchise taxes
- Sales taxes
- Tourism sales tax
- Payments from the city and county
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Miscellaneous
- Gain (Loss) on disposal and sale of assets
- Transfers
- Total general revenues and transfers

Change in net position

- Net position - beginning, as previously reported
- Prior period adjustment
- Net position - beginning, as restated
- Net position - ending

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

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (1,414,278)		\$ (1,414,278)	
(7,470,950)		(7,470,950)	
(1,118,809)		(1,118,809)	
6,917		6,917	
248,747		248,747	
402,046		402,046	
(611,705)		(611,705)	
330,703		330,703	
<u>(9,627,329)</u>		<u>(9,627,329)</u>	
	\$ (538,661)	(538,661)	
	(368,327)	(368,327)	
	(9,072)	(9,072)	
	1,479,504	1,479,504	
	<u>563,444</u>	<u>563,444</u>	
<u>(9,627,329)</u>	<u>563,444</u>	<u>(9,063,885)</u>	
			\$ (329,077)
			<u>(456,155)</u>
			<u>(785,232)</u>
4,182,905	-	4,182,905	-
612,601	-	612,601	-
249,777	-	249,777	-
4,712,057	-	4,712,057	-
-	-	-	451,776
-	-	-	385,368
202,465	-	202,465	9,454
22,871	160,833	183,704	2,094
-	-	-	962
(5,891)	(2,001)	(7,892)	(105)
3,316,657	(3,316,657)	-	-
<u>13,293,442</u>	<u>(3,157,825)</u>	<u>10,135,617</u>	<u>849,549</u>
<u>3,666,113</u>	<u>(2,594,381)</u>	<u>1,071,732</u>	<u>64,317</u>
12,819,396	69,333,808	82,153,204	235,176
-	-	-	(4,868)
<u>12,819,396</u>	<u>69,333,808</u>	<u>82,153,204</u>	<u>230,308</u>
<u>\$ 16,485,509</u>	<u>\$ 66,739,427</u>	<u>\$ 83,224,936</u>	<u>\$ 294,625</u>

City of Greenwood, Mississippi  
 Balance Sheet  
 Governmental Funds  
 September 30, 2017

	<u>General Fund</u>	<u>2015 General Obligation Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,893,458	\$ 90,134	\$ 1,168,101	\$ 3,151,693
Investments	134,567	-	-	134,567
Property taxes receivable, net	4,759,579	-	638,812	5,398,391
Other receivables	56,806	-	-	56,806
Intergovernmental receivables	790,014	-	225,137	1,015,151
Due from other funds	282,691	-	9,995	292,686
Total assets	<u>\$ 7,917,115</u>	<u>\$ 90,134</u>	<u>\$ 2,042,045</u>	<u>\$ 10,049,294</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 219,831	\$ 90,080	\$ 208,784	\$ 518,695
Due to other funds	64,953	-	203,792	268,745
Other accrued expenses	208,612	-	4,119	212,731
Other payables	34,828	-	4,574	39,402
Total liabilities	<u>528,224</u>	<u>90,080</u>	<u>421,269</u>	<u>1,039,573</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>4,672,867</u>	<u>-</u>	<u>626,776</u>	<u>5,299,643</u>
<b>FUND BALANCES</b>				
Restricted	-	54	862,520	862,574
Assigned	-	-	131,480	131,480
Unassigned	2,716,024	-	-	2,716,024
Total fund balances	<u>2,716,024</u>	<u>54</u>	<u>994,000</u>	<u>3,710,078</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,917,115</u>	<u>\$ 90,134</u>	<u>\$ 2,042,045</u>	<u>\$ 10,049,294</u>

**City of Greenwood, Mississippi**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2017**

Total fund balance, governmental funds	\$ 3,710,078
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	40,713,603
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	26,321
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	91,768
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	(9,536,552)
Net pension obligations recorded in governmental activities are not a financial resource and therefore are not reported in the governmental funds	
Net pension liability	(18,907,361)
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	918,578
Deferred inflows of resources related to pensions	(530,926)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 16,485,509</u>



City of Greenwood, Mississippi  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>2015 General Obligation Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 4,182,905	\$ -	\$ 612,601	\$ 4,795,506
General sales tax	4,712,057	-	-	4,712,057
Fees and fines	204,101	-	40,179	244,280
Licenses and permits	342,831	-	-	342,831
Intergovernmental	313,030	-	3,423,947	3,736,977
Charges for services	23,372	-	-	23,372
Investment earnings	10,573	1,999	8,436	21,008
Miscellaneous	53,676	-	698,081	751,757
Total revenues	<u>9,842,545</u>	<u>1,999</u>	<u>4,783,244</u>	<u>14,627,788</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,551,426	-	82,000	1,633,426
Public safety	6,625,618	-	234,383	6,860,001
Public works	1,522,690	23,574	49,962	1,596,226
Health and welfare	-	-	170,079	170,079
Culture and recreation	681,642	-	61,394	743,036
Miscellaneous appropriations	579,976	-	31,729	611,705
Economic development and assistance	-	-	107,629	107,629
Debt Service:				
Principal	137,616	-	1,988,190	2,125,806
Interest and other charges	13,760	-	195,435	209,195
Capital Outlay	262,212	3,232,298	4,408,314	7,902,824
Total Expenditures	<u>11,374,940</u>	<u>3,255,872</u>	<u>7,329,115</u>	<u>21,959,927</u>
Excess (deficiency) of revenues over expenditures	<u>(1,532,395)</u>	<u>(3,253,873)</u>	<u>(2,545,871)</u>	<u>(7,332,139)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from loans	-	-	1,260,000	1,260,000
Sale of personal property	442	-	-	442
Transfers in	1,663,563	987,225	2,830,503	5,481,291
Transfers out	(158,583)	-	(2,006,051)	(2,164,634)
Total other financing sources and uses	<u>1,505,422</u>	<u>987,225</u>	<u>2,084,452</u>	<u>4,577,099</u>
Net change in fund balances	(26,973)	(2,266,648)	(461,419)	(2,755,040)
Fund balances - beginning	2,742,997	2,266,702	1,455,419	6,465,118
Fund balances - ending	<u>\$ 2,716,024</u>	<u>\$ 54</u>	<u>\$ 994,000</u>	<u>\$ 3,710,078</u>

City of Greenwood, Mississippi  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to  
 the Statement of Activities  
 For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds: \$ (2,755,040)

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 \$7,902,824 exceeded depreciation \$1,539,775 in the current period. 6,363,049

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain (loss) on the sale or disposal of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold or disposed. (6,333)

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. 865,806

Some expenditures reported in the Governmental funds are not expenses of the current period and are reported as prepayments in the Statement of Activities:  
 Prepaid insurance not reflected in the Governmental Funds (2,396)

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 (9,440)  
 Accrued compensated absences not reflected in the Governmental funds (25,617)

The Statement of Activities reports pension expenditures and other activity related to the net pension liability (621,327)

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. (142,589)

Change in net position of governmental activities \$ 3,666,113

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City of Greenwood, Mississippi  
 Budget and Actual (with Variances)  
 General Fund  
 For the year ended September 30, 2017

	Budgeted Amounts		<u>Actual Amounts</u> <u>Budgetary Basis</u> <u>(See Note A)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 4,271,651	\$ 4,271,651	\$ 4,155,000	\$ (116,651)
Fees and fines	358,000	358,000	204,101	(153,899)
Licenses and permits	368,400	368,400	341,465	(26,935)
Intergovernmental	4,827,000	4,827,000	5,011,760	184,760
Charges for services	21,700	21,700	24,642	2,942
Investment earnings	2,500	2,500	10,573	8,073
Miscellaneous	39,400	54,587	54,117	(470)
Total revenues	<u>9,888,651</u>	<u>9,903,838</u>	<u>9,801,658</u>	<u>(102,180)</u>
<b>EXPENDITURES</b>				
General government				
Supervision and finance				
Personal services	599,121	590,121	573,750	16,371
Supplies	8,800	10,950	8,171	2,779
Other services and charges	465,925	388,480	361,271	27,209
City clerk's office				
Personal services	202,768	200,304	194,446	5,858
Supplies	11,100	11,300	7,103	4,197
Other services and charges	38,050	39,950	34,359	5,591
Capital outlay	7,400	7,764	7,764	-
City hall building maintenance				
Supplies	17,000	6,500	5,176	1,324
Other services and charges	261,000	298,000	296,681	1,319
Capital outlay	-	6,000	5,088	912
Personnel office				
Personal services	112,699	112,804	112,331	473
Supplies	2,400	2,695	2,059	636
Other services and charges	9,878	6,878	4,163	2,715
Public safety				
Police department				
Personal services	3,354,136	3,215,136	2,987,536	227,600
Supplies	215,500	298,000	235,407	62,593
Other services and charges	435,400	387,400	352,147	35,253
Capital outlay	7,500	126,287	121,630	4,657
Debt service	51,500	51,500	51,500	-
Municipal court				
Personal services	111,980	111,980	107,434	4,546
Supplies	4,441	4,441	2,427	2,014
Other services and charges	16,533	16,533	12,187	4,346
Fire department				
Personal services	2,614,334	2,515,634	2,397,294	118,340
Supplies	99,100	129,600	119,844	9,756
Other services and charges	134,768	145,968	111,756	34,212
Capital outlay	-	32,000	25,205	6,795
Debt service	99,877	99,877	99,877	-
Inspection division				
Personal services	216,965	216,975	211,696	5,279
Supplies	8,750	8,850	5,574	3,276
Other services and charges	10,759	10,649	7,196	3,453
Capital outlay	6,000	6,900	2,887	4,013
Public works				
Engineering division				
Personal services	108,281	108,281	103,994	4,287
Supplies	37,750	25,110	24,153	957
Other services and charges	12,514	27,124	24,023	3,101
Capital outlay	500	10,358	10,016	342
Street division				
Personal services	443,100	439,800	425,013	14,787
Supplies	192,500	175,782	173,502	2,280
Other services and charges	417,900	514,660	495,634	19,026
Capital outlay	2,000	136,637	136,237	400

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u> <u>(See Note A)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Equipment maintenance division				
Personal services	226,120	226,120	171,392	54,728
Supplies	29,890	28,940	27,923	1,017
Other services and charges	26,355	27,255	22,743	4,512
Capital outlay	500	550	550	-
Inventory control division				
Personal services	-	-	-	-
Supplies	11,900	11,600	10,945	655
Other services and charges	1,051	1,051	947	104
Capital outlay	200	-	-	-
Culture and recreation				
Park division recreation				
Personal services	8,850	8,850	7,854	996
Supplies	12,500	5,265	4,336	929
Other services and charges	6,000	254,326	253,699	627
Capital outlay	210	-	-	-
Park division maintenance				
Personal services	237,884	268,884	267,773	1,111
Supplies	54,500	56,200	53,557	2,643
Other services and charges	46,872	55,872	55,690	182
Capital outlay	1,030	21,030	20,335	695
Senior citizens center				
Supplies	4,300	2,800	2,720	80
Other services and charges	4,400	5,900	4,360	1,540
Miscellaneous appropriations				
Food Corps	2,500	2,500	2,500	-
Civil defense	22,113	22,113	22,113	-
Main Street project	16,000	16,000	16,000	-
Delta Streets	5,000	5,000	5,000	-
Boys & Girls Club	12,500	12,500	12,500	-
Our House	9,000	9,000	9,000	-
Artplace Mississippi	10,000	10,000	10,000	-
Armory	2,000	7,900	7,276	624
Library	218,737	218,737	213,212	5,525
Industrial Board	108,000	108,000	91,407	16,593
Humane Society	6,500	6,500	6,500	-
Chamber of Commerce-Christmas decorations	12,500	12,500	12,500	-
Cemetery	10,000	10,000	9,959	41
Red Cross	3,500	3,500	3,500	-
Other utility appropriations	15,000	15,000	14,968	32
Airport	110,000	110,000	110,000	-
Drug court	2,500	2,500	-	2,500
Fannie Lou Hammer	5,000	5,000	5,000	-
Community Kitchen	5,000	5,000	5,000	-
Chamber Centennial	10,000	10,000	10,000	-
Community Band	1,000	1,000	1,000	-
Chamber of Commerce-Fourth of July	7,500	7,500	7,500	-
Museum of the Mississippi Delta	15,000	15,000	15,000	-
Total expenditures	<u>11,620,141</u>	<u>12,087,121</u>	<u>11,351,290</u>	<u>735,831</u>
Excess (deficiency) of revenues over expenditures	<u>(1,731,490)</u>	<u>(2,183,283)</u>	<u>(1,549,632)</u>	<u>633,651</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,403,616	1,855,609	1,871,508	15,899
Transfers out	<u>(127,000)</u>	<u>(127,200)</u>	<u>(123,321)</u>	<u>3,879</u>
Total other financing sources (uses)	<u>1,276,616</u>	<u>1,728,409</u>	<u>1,748,187</u>	<u>19,778</u>
Net change in fund balances	(454,874)	(454,874)	198,555	653,429
Budgetary fund balance - beginning	1,336,510	454,874	1,048,115	593,241
Budgetary fund balance - ending	<u>\$ 881,636</u>	<u>\$ -</u>	<u>\$ 1,246,670</u>	<u>\$ 1,246,670</u>

City of Greenwood, Mississippi  
**Note A to Budgetary Comparison Schedule**  
**General Fund**  
For the year ended September 30, 2017

**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	\$ 9,801,658
<b>Differences - budget to GAAP:</b>	
Amounts due from the county for real, auto and mobile home ad valorem at year end are revenues for financial reporting purposes	5,556
Amount due from the state for sales tax at year end is revenue for financial reporting purposes	18,052
Amount due from the state for liquor license at year end is revenue for financial reporting purposes	(4,725)
Amounts due from franchisees at year end is revenue for financial reporting purposes	97
The City recorded a refund of prior year personal property taxes to a revenue account on the budgetary basis; this amount was reclassified to an expense account on the modified accrual basis	22,349
Proceeds for sale of personal property reported as other financing sources on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>(442)</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b><u>\$ 9,842,545</u></b>

**Uses/outflows of resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,351,290
<b>Differences - budget to GAAP:</b>	
The City does not record accrued salaries for budgetary reporting purposes, only for the modified accrual basis	24,266
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	28,310
The City reversed a prior year payable on the modified accrual basis but not for the budgetary basis	(46,595)
The City recorded a refund of prior year personal property taxes to a revenue account on the budgetary basis; this amount was reclassified to an expense account on the modified accrual basis	22,349
The City recorded general fund free services on the modified accrual basis but not for the budgetary basis	124
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	(9,958)
The City did not record a vehicle transferred from the Sewage Enterprise Fund to the Parks Department on the budgetary basis; this amount was recorded for the modified accrual basis	<u>5,154</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b><u>\$ 11,374,940</u></b>

JUL 23 2018

City of Greenwood, Mississippi  
 Budget and Actual (with Variances)  
 2015 General Obligation Bonds and Note A to Budgetary Schedule  
 For the year ended September 30, 2017

	Budgeted Amounts		<u>Actual Amounts, Budgetary Basis (See Note A)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 1,999	\$ 1,999
Total revenues	-	-	1,999	1,999
<b>EXPENDITURES</b>				
Economic development & assistance				
Supplies	-	170,000	168,517	1,483
Other services and charges	-	17,000	16,965	35
Capital outlay	-	3,074,855	3,070,390	4,465
Total expenditures	-	3,261,855	3,255,872	5,983
Excess (deficiency) of revenues over expenditures	-	(3,261,855)	(3,253,873)	7,982
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	845,855	987,225	141,370
Transfers out	-	-	-	-
Total other financing sources (uses)	-	845,855	987,225	141,370
Net change in fund balances	-	(2,416,000)	(2,266,648)	149,352
Budgetary fund balance - beginning	-	2,416,000	2,266,702	(149,298)
Budgetary fund balance - ending	\$ -	\$ -	\$ 54	\$ 54

**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

\$ 1,999

Differences - budget to GAAP:

None

-

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds

\$ 1,999

**Uses/outflows of resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule

\$ 3,255,872

Differences - budget to GAAP:

None

-

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds

\$ 3,255,872

City of Greenwood, Mississippi  
Statement of Net Position  
Proprietary Funds  
September 30, 2017

	<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 Service</u> <u>Fund</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 164,724	\$ 6,503,364	\$ 182,917	\$ 6,851,005	\$ 156,454
Investments	-	1,652,471	-	1,652,471	-
Accounts receivable, net	-	4,185,244	-	4,185,244	125,525
Due from other funds	951,183	71,328	240,364	1,262,875	-
Due from other governments	-	44,090	23,941	68,031	-
Other receivables	800	444,304	-	445,104	-
Inventories	-	912,933	-	912,933	-
Prepaid expenses	15,793	94,020	10,528	120,341	-
Total current assets	<u>1,132,500</u>	<u>13,907,754</u>	<u>457,750</u>	<u>15,498,004</u>	<u>281,979</u>
Non-current assets					
Other long-term receivables	-	2,210	-	2,210	-
Restricted assets					
Cash and cash equivalents	4,893,152	177,537	-	5,070,689	-
Investments	-	7,647,529	-	7,647,529	-
Interest receivable	-	3,183	-	3,183	-
Group medical plan insurance receivable	-	50,709	-	50,709	-
Capital assets	68,652,378	89,292,776	2,914,008	160,859,162	-
Less: Accumulated depreciation	<u>(10,453,753)</u>	<u>(42,147,606)</u>	<u>(1,831,747)</u>	<u>(54,433,106)</u>	<u>-</u>
Total non-current assets	<u>63,091,777</u>	<u>55,026,338</u>	<u>1,082,261</u>	<u>119,200,376</u>	<u>-</u>
Total assets	<u>64,224,277</u>	<u>68,934,092</u>	<u>1,540,011</u>	<u>134,698,380</u>	<u>281,979</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension	79,731	893,874	95,227	1,068,832	-
Total deferred outflows of resources	<u>79,731</u>	<u>893,874</u>	<u>95,227</u>	<u>1,068,832</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	111,591	1,990,642	79,416	2,181,649	166,984
Salaries payable	15,145	277	19,824	35,246	-
Accrued interest payable	43,906	-	-	43,906	-
Due to other funds	31,676	1,231,199	23,941	1,286,816	-
Payable to other governments	-	48,046	-	48,046	-
Sales tax payable	-	54,537	-	54,537	-
Other payables	-	63	-	63	-
Accrued compensated absences	29,380	76,069	36,265	141,714	-
Notes payable	-	-	334,461	334,461	-
State revolving loans payable	2,169,609	120,082	-	2,289,691	-
Total current liabilities	<u>2,401,307</u>	<u>3,520,915</u>	<u>493,907</u>	<u>6,416,129</u>	<u>166,984</u>
Current liabilities payable from restricted assets					
Revenue bonds payable	605,000	-	-	605,000	-
Customer deposits	-	1,562,412	-	1,562,412	-
Unemployment compensation allowance	-	24,000	-	24,000	-
Group medical ins claims payable	-	128,938	-	128,938	-
Total current liabilities payable from restricted assets	<u>605,000</u>	<u>1,715,350</u>	<u>-</u>	<u>2,320,350</u>	<u>-</u>
Non-current liabilities					
Accrued compensated absences	-	245,748	-	245,748	-
Notes payable	-	-	253,913	253,913	-
Revenue bonds	910,000	-	-	910,000	-
State revolving loans payable	42,116,619	2,643,051	-	44,759,670	-
Net pension liability	1,385,843	10,730,069	1,655,196	13,771,108	-
Total non-current liabilities	<u>44,412,462</u>	<u>13,618,868</u>	<u>1,909,109</u>	<u>59,940,439</u>	<u>-</u>
Total liabilities	<u>47,418,769</u>	<u>18,855,133</u>	<u>2,403,016</u>	<u>68,676,918</u>	<u>166,984</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Bond premium	24,589	-	-	24,589	-
Pension	50,688	234,344	60,542	345,574	-
Total deferred inflows of resources	<u>75,277</u>	<u>234,344</u>	<u>60,542</u>	<u>370,163</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	12,353,491	44,382,037	493,887	57,229,415	-
Unrestricted	4,456,471	6,356,452	(1,322,207)	9,490,716	114,995
Total net position	<u>\$ 16,809,962</u>	<u>\$ 50,738,489</u>	<u>\$ (828,320)</u>	<u>\$ 66,720,131</u>	<u>\$ 114,995</u>

City of Greenwood, Mississippi  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended September 30, 2017

	<u>Sewage Enterprise</u> <u>Fund</u>	<u>Greenwood</u> <u>Utilities Fund</u>	<u>Other</u> <u>Enterprise Funds</u>	<u>Total</u>	<u>Internal Service</u> <u>Fund</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,841,902	\$ 31,549,836	\$ 1,787,482	\$ 37,179,220	\$ 1,015,745
Reinsurance funds	-	-	-	-	293,552
Miscellaneous	57,559	399,895	56,612	514,066	-
Total operating revenues	<u>3,899,461</u>	<u>31,949,731</u>	<u>1,844,094</u>	<u>37,693,286</u>	<u>1,309,297</u>
<b>OPERATING EXPENSES</b>					
Personal services	725,260	-	1,033,314	1,758,574	-
Contractual services	733,734	-	618,644	1,352,378	-
Other supplies and expenses	115,877	-	159,796	275,673	-
Repairs and maintenance	-	-	11,030	11,030	-
Insurance claims and expenses	-	-	-	-	1,497,953
Generating expenses	-	19,202,035	-	19,202,035	-
Distribution expenses	-	2,144,243	-	2,144,243	-
General and administrative expenses	-	4,658,292	-	4,658,292	-
Customer account expenses	-	394,595	-	394,595	-
Production expenses	-	546,648	-	546,648	-
Sales expenses	-	5,262	-	5,262	-
Meter reading	-	384,582	-	384,582	-
Depreciation	2,336,075	2,861,343	388,806	5,586,224	-
Total operating expenses	<u>3,910,946</u>	<u>30,197,000</u>	<u>2,211,590</u>	<u>36,319,536</u>	<u>1,497,953</u>
Operating income (loss)	<u>(11,485)</u>	<u>1,752,731</u>	<u>(367,496)</u>	<u>1,373,750</u>	<u>(188,656)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	37,262	123,277	294	160,833	1,863
Interest expense	(517,514)	(60,329)	(11,762)	(589,605)	-
Bonds redeemed	-	-	-	-	-
Amortization of bond premium(discount)	5,176	-	-	5,176	-
Expenses paid for the city	-	(6,140)	-	(6,140)	-
Utility appropriations to Greenwood Public Schools	-	(151,158)	-	(151,158)	-
Utility appropriations to Greenwood-Leflore Industrial Board and others	-	(55,600)	-	(55,600)	-
Gain (loss) on disposal and sale of equipment	(2,001)	-	-	(2,001)	-
Miscellaneous revenue	-	-	-	-	-
Total non-operating revenue (expenses)	<u>(477,077)</u>	<u>(149,950)</u>	<u>(11,468)</u>	<u>(638,495)</u>	<u>1,863</u>
Income (loss) before contributions and transfers	(488,562)	1,602,781	(378,964)	735,255	(186,793)
Capital & operating grants and contributions	-	-	23,941	23,941	-
Transfers in	479,548	-	256,213	735,761	-
Transfers out	(2,047,537)	(2,003,692)	(1,189)	(4,052,418)	-
Change in net position	<u>(2,056,551)</u>	<u>(400,911)</u>	<u>(99,999)</u>	<u>(2,557,461)</u>	<u>(186,793)</u>
Total net position - beginning	18,866,513	51,139,400	(728,321)	69,277,592	301,788
Total net position - ending	<u>\$ 16,809,962</u>	<u>\$ 50,738,489</u>	<u>\$ (828,320)</u>	<u>\$ 66,720,131</u>	<u>\$ 114,995</u>

Change in net position, per above \$ (2,557,461)

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.

(36,920)

Change in Business-Type Activities in Net Position per Government-Wide Financial Statements

\$ (2,594,381)



City of Greenwood, Mississippi  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2017

	<u>Sewage Enterprise Fund</u>	<u>Greenwood Utilities Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 3,843,620	\$ 30,096,566	\$ 1,827,424	\$ 35,767,610	\$ -
Receipts from Greenwood Public Schools	-	781,830	-	781,830	-
Receipts from the Greenwood-Leflore Industrial Board and other agencies	-	147,819	-	147,819	-
Receipts from governmental funds	-	311,591	23,941	335,532	-
Payments for interfund services provided	145	-	-	145	1,015,746
Receipts from governments	-	-	-	-	195,490
Receipts for sewer & solid waste collections for others	-	5,556,909	-	5,556,909	-
Receipts from customer meter deposits	-	146,660	-	146,660	-
Receipts from other revenue	57,559	520,560	32,671	610,790	-
Payments for claims	-	-	(9,072)	(9,072)	(1,440,409)
Payments to governmental funds	-	-	-	-	-
Payments to suppliers for goods and services	(1,058,575)	(23,730,158)	(813,723)	(25,602,456)	-
Payments to employees	(642,013)	(3,382,648)	(928,075)	(4,952,736)	-
Payments for sewer and solid waste collections for others	-	(5,609,453)	-	(5,609,453)	-
Payments for customer meter deposit refunds	-	(102,501)	-	(102,501)	-
Net cash provided by (used for) operating activities	<u>2,200,736</u>	<u>4,737,175</u>	<u>133,166</u>	<u>7,071,077</u>	<u>(229,173)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers from governmental funds	479,548	-	256,213	735,761	-
Transfers to governmental funds	(2,047,537)	(2,009,832)	(1,189)	(4,058,558)	-
Net cash provided by (used for) noncapital financing activities	<u>(1,567,989)</u>	<u>(2,009,832)</u>	<u>255,024</u>	<u>(3,322,797)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(1,757,644)	(1,754,265)	(23,941)	(3,535,850)	-
Transfer of fixed assets to governmental funds	5,154	-	-	5,154	-
Capital & operating grants & contributions received	-	-	23,941	23,941	-
Loan proceeds	1,756,705	1,960,405	-	3,717,110	-
Principal paid on capital debt	(1,886,659)	(59,169)	(357,128)	(2,302,956)	-
Interest paid on capital debt	(498,003)	(60,329)	(11,762)	(570,094)	-
Net cash provided (used) for capital and related financing activities	<u>(2,380,447)</u>	<u>86,642</u>	<u>(368,890)</u>	<u>(2,662,695)</u>	<u>-</u>
<b>Cash flows provided by (used for) investing activities</b>					
Purchase of investment securities	-	(9,300,000)	-	(9,300,000)	-
Proceeds from sale and maturities of investment securities	-	10,249,981	-	10,249,981	-
Interest on investments	37,262	123,277	294	160,833	1,863
Net cash provided by (used for) investing activities	<u>37,262</u>	<u>1,073,258</u>	<u>294</u>	<u>1,110,814</u>	<u>1,863</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,710,438)</u>	<u>3,887,243</u>	<u>19,594</u>	<u>2,196,399</u>	<u>(227,310)</u>
Cash and cash equivalents at beginning of year	6,768,314	2,793,658	163,323	9,725,295	383,764
<b>Cash and cash equivalents at end of year</b>	<u>\$ 5,057,876</u>	<u>\$ 6,680,901</u>	<u>\$ 182,917</u>	<u>\$ 11,921,694</u>	<u>\$ 156,454</u>

	<u>Sewage Enterprise Fund</u>	<u>Greenwood Utilities Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (11,485)	\$ 1,752,731	\$ (367,496)	\$ 1,373,750	\$ (188,656)
<b>Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:</b>					
Depreciation expense	2,336,075	2,861,343	388,806	5,586,224	-
Provision for bad debts	-	97,687	-	97,687	-
Utility appropriations to the Greenwood Public School District	-	(151,158)	-	(151,158)	-
Utility appropriations to other agencies	-	(55,600)	-	(55,600)	-
(Increase) decrease in accounts receivables, net	-	(173,275)	-	(173,275)	(98,061)
(Increase) decrease in due from other governments	-	11,499	(23,941)	(12,442)	-
(Increase) decrease in due from other funds	1,718	55,012	39,942	96,672	-
(Increase) decrease in other receivables	-	122,107	-	122,107	-
(Increase) decrease in inventories	-	(24,197)	-	(24,197)	-
(Increase) decrease in prepaid expenses	1,437	691,596	959	693,992	-
(Increase) decrease in restricted group medical insurance claims receivable	-	(50,709)	-	(50,709)	-
Increase (decrease) in accounts payable	(210,401)	(1,206,237)	(25,212)	(1,441,850)	57,544
Increase (decrease) in accrued salaries & benefits payable	(54)	(415)	(1,732)	(2,201)	-
Increase (decrease) in customer deposits	-	44,159	-	44,159	-
Increase (decrease) in accrued compensated absences	450	22,552	(1,056)	21,946	-
Increase (decrease) in due to other funds	145	2,200	23,941	26,286	-
Increase (decrease) in due to other governments	-	(11,499)	-	(11,499)	-
Increase (decrease) in sewer and solid waste collected for the city	-	(43,245)	-	(43,245)	-
Increase (decrease) in other payables	-	(2,773)	-	(2,773)	-
Increase (decrease) in sales tax payable	-	2,363	-	2,363	-
Increase (decrease) in restricted medical insurance claims payable	-	104,288	-	104,288	-
Increase (decrease) in net pension liability	82,851	688,746	98,955	870,552	-
Total adjustments	2,212,221	2,984,444	500,662	5,697,327	(40,517)
<b>Net cash provided by operating activities</b>	<u>\$ 2,200,736</u>	<u>\$ 4,737,175</u>	<u>\$ 133,166</u>	<u>\$ 7,071,077</u>	<u>\$ (229,173)</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	\$ 164,724	\$ 6,503,364	\$ 182,917	\$ 6,851,005	\$ 156,454
Restricted assets - cash and cash investments	4,893,152	177,537	-	5,070,689	-
Total cash and cash investments	<u>\$ 5,057,876</u>	<u>\$ 6,680,901</u>	<u>\$ 182,917</u>	<u>\$ 11,921,694</u>	<u>\$ 156,454</u>

**City of Greenwood, Mississippi**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2017**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	277,376
Property taxes receivable		<u>6,435,853</u>
Total assets	\$	<u><u>6,713,229</u></u>
<b>LIABILITIES</b>		
Due to other governments	\$	115,013
Accrued payroll taxes and benefits payable		158,763
Unavailable revenue - property taxes		6,435,853
Other liabilities		<u>3,600</u>
Total liabilities	\$	<u><u>6,713,229</u></u>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**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 and is not legally separate from the City. The City of Greenwood holds the utilities' corporate powers, and the Mayor appoints all three Utility Commission members subject to council approval.

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, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

*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.

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, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: net

WTD

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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.

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 nonoperating revenues and expenses.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds are used to report resources in a purely custodial capacity (assets equal liabilities). So, agency funds cannot be said to have a measurement focus; however, they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

*2015 General Obligation Bonds* – This fund accounts for the capital improvement project funds spent on the Greenwood Police Department renovations and improvements.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Fiduciary funds:**

*Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net 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. 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 \$1,769,988 of total receivables at September 30, 2017.

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CITY OF GREENWOOD, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2017

JUL 23 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**3. Investments**

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

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

**4. 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.
- 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 "capacity purchase reserve" account is used to assist in the funding of any future purchase of capacity or installation of generating facilities.
- The "Wright Station capacity reserve" is used to report resources for generation repowering or other generation improvements.
- The "Wright Station capital reserve" will be used for the refurbishing of Wright Station for generation purposes.
- The "group medical claims payable" account is used to finance medical claims under the Greenwood Utilities' self-insurance medical plan.

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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.

**5. 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.

**6. Capital Assets**

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

The City's classes of capital assets and their capitalization levels are: land – cost or fair market value; buildings and building improvements - \$50,000; improvements other than buildings - \$25,000; machinery and equipment - \$5,000; mobile equipment - \$10,000; and infrastructure – cost or fair market value.

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

<u>Assets</u>	<u>Years</u>
Buildings	33.3-40 years
Improvements other than buildings	20 years
Electric, water and sewer system	20-50 years
Infrastructure	20-50 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.

**7. Prepaid Items**

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

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**8. Compensated Absences**

*City of Greenwood:*

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

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

*Greenwood Utilities:*

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

At September 30, 2017, 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 accumulated by each employee is multiplied by the employee's hourly rate at September 30, 2017. 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, 2017. 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.

**9. 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 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

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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 out 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 components of these balances are further explained in Note 4.

**10. 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.

**11. Revenues**

Substantially all governmental fund revenues are accrued. Property taxes are recognized at the levy date. All property taxes are billed, collected and recognized as revenue within the same period for which they are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and 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.

**12. Expenditures**

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

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**13. 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, 2017.

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

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

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**14. 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.

**15. Post-Employment Health Care and Life Insurance Benefits**

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

**16. 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.

**17. 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.

**18. Reclassifications**

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications have no effect on the change in net position.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**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 in the accompanying financial statements for all governmental activities that are considered to be major funds under GASB 34 guidelines.

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

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

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):**

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

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

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

8. Budgeted expenditure or expense amounts (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	\$ 11,747,141	\$ 12,214,321	\$ 467,180
Other General Funds	668,718	1,083,752	415,034
Special Revenue Funds	139,923	5,772,852	5,632,929
Debt Service Funds	853,517	3,660,595	2,807,078
Capital Projects Funds	-	3,261,956	3,261,956
Enterprise Funds	13,076,140	14,661,878	1,585,738
Internal Service Fund	1,249,000	1,649,000	400,000
	\$ 27,734,439	\$ 42,304,354	\$ 14,569,915

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, 2017

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):**

**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	<u>\$ (994,710)</u>
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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 \$9,032,037 and the bank balances totaled \$9,199,834. Of the bank balances, \$634,567 was insured by federal deposit insurance and \$8,565,267 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 \$15,980,901, and the bank balances totaled \$16,260,291. Of the bank balances, \$500,100 was insured by FDIC, and \$15,760,191 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 \$438,001 and \$228,547, respectively, and the bank balances totaled \$444,584 and \$228,134, respectively. Of the bank balances, \$334,050 for the Tourism and \$228,134 for the Library was insured by federal deposit insurance.

**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 on the following page.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

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

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Bonds or direct obligations of the:
  - United States of America
  - State of Mississippi
  - County or Municipality of Mississippi
  - School Districts

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

**B. Receivables**

Receivables at September 30, 2017, for the primary government’s individual major funds and nonmajor and internal service funds in the aggregate (including its blended component unit, Greenwood Utilities), including the applicable allowances for uncollectible accounts, are as follows (amounts are expressed in thousands):

<u>Governmental Funds</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Intergovernmental	\$ 790	\$ 225	\$ 1,015
Property taxes receivable	4,806	645	5,451
Other	57	-	57
Gross receivables	5,653	870	6,523
Less: allowance for doubtful accounts	47	6	53
Total governmental funds	<u>\$ 5,606</u>	<u>\$ 864</u>	<u>\$ 6,470</u>

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

<u>Proprietary Funds</u>	Sewage Enterprise Fund	Greenwood Utilities	Other Enterprise Funds	Total
Accounts receivable	\$ -	\$ 4,373	\$ -	\$ 4,373
Intergovernmental	-	44	24	68
Other	1	444	-	445
Gross receivables	1	4,861	24	4,886
Less: allowance for doubtful accounts	-	188	-	188
Total proprietary funds	<u>\$ 1</u>	<u>\$ 4,673</u>	<u>\$ 24</u>	<u>\$ 4,698</u>

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. \$187,518 was determined to be uncollectible for the current year. 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 \$1,769,988 of total receivables at September 30, 2017.

**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)	\$ 5,450,947
Less: Allowance for doubtful accounts	<u>52,556</u>
Total property taxes receivable, net	<u>\$ 5,398,391</u>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

Tax millage levies for 2016 were collected in the current fiscal year and statutory maximum millage rates were as follows:

Fund	Levy (in mills)	Purpose	Maximum
General Fund	38.35	General	None
Debt Service Fund	5.85	Debt Retirement	None
Disability & Relief Fund	4.06	Retirement	None
Total City of Greenwood	<u>48.26</u>		
Greenwood Public Schools:			
District Maintenance	<u>55.00</u>	Public Schools	None
Total Greenwood Public Schools	<u>55.00</u>		
Total Millage Rate	<u><u>103.26</u></u>		

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

	<u>Unearned</u>
Current year tax assessments - governmental funds (exclusive of agency funds)	<u>\$ 5,299,643</u>

**2. Sales Taxes**

The State levies a 7% sales tax on retail sales and remits these collections to the City monthly. Intergovernmental revenue of the General Fund includes \$4,712,057 of sales tax revenue.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Changes in Capital Assets**

1. Primary government capital asset activity for the year ended September 30, 2017, was as follows (amounts are expressed in thousands):

	Balance 9/30/16	Additions	Deletions	Transfers	Balance 9/30/17
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 3,383	\$ -	\$ -	\$ -	\$ 3,383
Construction-in-progress	3,451	7,322	-	(10,773)	-
Total capital assets not being depreciated	6,834	7,322	-	(10,773)	3,383
Capital assets being depreciated:					
Infrastructure	26,651	-	-	-	26,651
Buildings & improvements	12,163	-	-	10,773	22,936
Equipment & furniture	983	370	41	8	1,320
Mobile equipment	4,688	207	13	43	4,925
Total capital assets being depreciated	44,486	577	54	10,824	55,832
Less accumulated depreciation for:					
Infrastructure	10,078	561	-	-	10,639
Buildings & improvements	2,982	668	-	-	3,650
Equipment & furniture	639	120	36	7	730
Mobile equipment	3,264	191	12	39	3,482
Total accumulated depreciation	16,963	1,540	48	46	18,501
Total capital assets being depreciated, net	27,523	(963)	6	10,778	37,331
Total governmental activities capital assets, net	\$ 34,357	\$ 6,359	\$ 6	\$ 5	\$ 40,714

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Changes in Capital Assets**

1. Primary government capital asset activity for the year ended September 30, 2017, was as follows (amounts are expressed in thousands):

	Balance 9/30/16	Additions	Deletions	Transfers	Balance 9/30/17
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 3,383	\$ -	\$ -	\$ -	\$ 3,383
Construction-in-progress	3,451	7,322	-	(10,773)	-
Total capital assets not being depreciated	6,834	7,322	-	(10,773)	3,383
Capital assets being depreciated:					
Infrastructure	26,651	-	-	-	26,651
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Mobile equipment	4,688	207	13	43	4,925
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Less accumulated depreciation for:					
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Equipment & furniture	639	120	36	7	730
Mobile equipment	3,264	191	12	39	3,482
Total accumulated depreciation	16,963	1,540	48	46	18,501
Total capital assets being depreciated, net	27,523	(963)	6	10,778	37,331
Total governmental activities capital assets, net	<u>\$ 34,357</u>	<u>\$ 6,359</u>	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$ 40,714</u>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

	Balance 9/30/16	Additions	Deletions	Transfers	Balance 9/30/17
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 601	\$ -	\$ -	\$ -	\$ 601
Construction-in-progress	3,880	1,329	-	(5,120)	89
Total capital assets not being depreciated	4,481	1,329	-	(5,120)	690
Capital assets being depreciated:					
Infrastructure	65,911	1,546	-	166	67,623
Buildings & improvements	-	-	-	-	-
Equipment & furniture	632	23	-	(8)	647
Mobile equipment	3,208	69	20	(43)	3,214
Electric and water production plant	26,304	3,813	-	-	30,117
Electric and water distribution plant	50,174	1,203	-	-	51,377
Electric and water general plant	6,818	372	-	-	7,190
Total capital assets being depreciated	153,047	7,026	20	115	160,168
Less accumulated depreciation for:					
Infrastructure	7,555	2,267	-	-	9,822
Buildings & improvements	-	-	-	-	-
Equipment & furniture	275	72	-	(7)	340
Mobile equipment	1,796	385	20	(39)	2,122
Electric and water production plant	14,756	967	-	-	15,723
Electric and water distribution plant	19,827	1,511	-	-	21,338
Electric and water general plant	4,626	461	-	-	5,087
Total accumulated depreciation	48,834	5,663	20	(46)	54,432
Total capital assets being depreciated, net	104,213	1,363	-	161	105,736
Total business-type activities capital assets, net	<u>\$ 108,694</u>	<u>\$ 2,692</u>	<u>\$ -</u>	<u>\$ (4,959)</u>	<u>\$ 106,426</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 \$81,179 for the year ended September 30, 2017.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

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

**Governmental activities:**

General government	\$ 15,851
Public safety	363,633
Public works	637,245
Culture and recreation	186,188
Economic development and assistance	<u>336,858</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,539,775</u></u>
------------------------------------------------------	----------------------------

**Business-type activities:**

Sewage enterprise	\$ 2,336,075
Greenwood utilities	2,861,343
Non-major business-type activities	<u>388,806</u>

Total depreciation expense - business-type activities	<u><u>\$ 5,586,224</u></u>
-------------------------------------------------------	----------------------------

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

**Business-type activities:**

	<u>Spent-to-date</u>
Greenwood Utilities - Various open work orders	<u>88,615</u>
Total	<u><u>\$ 88,615</u></u>



**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

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

	Balance 9/30/16	Additions	Deletions	Transfers	Balance 9/30/17
Capital assets being depreciated:					
Building improvements	\$ 193	\$ 4	\$ -	\$ -	\$ 197
Books & materials	874	29	-	-	903
Mobile equipment	22	-	-	-	22
Equipment & furniture	342	8	1	-	349
Total capital assets being depreciated	<u>1,431</u>	<u>41</u>	<u>1</u>	<u>-</u>	<u>1,471</u>
Less accumulated depreciation for:					
Buildings & improvements	150	8	-	-	158
Books & materials	741	42	1	-	782
Mobile equipment	2	4	-	-	6
Equipment & furniture	294	20	-	-	314
Total accumulated depreciation	<u>1,187</u>	<u>74</u>	<u>1</u>	<u>-</u>	<u>1,260</u>
Total capital assets being depreciated, net	<u>\$ 244</u>	<u>\$ (33)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211</u>

Depreciation expense was charged to activities as follows:

Library	\$ 69,885
Tourism Commission	4,425
Total	<u>\$ 74,310</u>

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**D. Interfund Receivables, Payables, and Transfers**

Individual fund interfund receivable and payable balances as of September 30, 2017, follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 282,691	\$ 64,953
Nonmajor governmental funds		
Domestic Violence Grant	-	6,227
DUI Grant	233	16,721
Traffic Safety Project	-	5,037
Transportation Enhancement Grant	9,762	5,404
Linear Parks System (Phase II)	-	10,282
Brownfields Grant	-	160,121
Total Governmental Funds	<u>292,686</u>	<u>268,745</u>
Sewage Enterprise	951,183	31,676
Greenwood Utilities	71,328	1,231,199
Nonmajor proprietary funds		
Solid Waste Enterprise	240,364	-
Solid Waste Assistance Grant (Forklift)	-	23,941
Total Proprietary Funds	<u>1,262,875</u>	<u>1,286,816</u>
Total All Funds	<u>\$ 1,555,561</u>	<u>\$ 1,555,561</u>

- The Sewage Enterprise (\$951,183) and Solid Waste Enterprise (\$240,364) 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.

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**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

Transfers in/transfers out for the primary government follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,663,563	\$ 158,582
2015 GO Bonds	987,225	-
Nonmajor governmental funds		
Cemetery Project	9,958	-
Special Projects Fund	931,668	856,894
Youth Summer Fun Recreation Program Fund	29,293	-
Urban Youth Corp Project	35,722	-
Traffic Safety Project	62	-
Domestic Violence Grant	15,228	-
DUI Grant	18	-
Transportation Enhancement Grant	295,773	-
Drug Court Fund	25,000	-
Baptist Town Revitalization	-	99
Linear Parks System (Phase II)	884,675	-
Industrial Rent-Milwaukee Tool Expansion II	-	390,134
Milwaukee Tool Expansion	150,000	-
Milwaukee Tool Expansion II (Quality Lab)	75,000	-
Industrial Rent-Milwaukee Tool	-	633,824
GO MBIA Refunding Bonds	378,106	125,000
2005 GO Bonds	-	101
Total Governmental Funds	<u>5,481,291</u>	<u>2,164,634</u>
Sewage Enterprise	479,548	2,047,537
Greenwood Utilities	-	2,003,692
Nonmajor proprietary funds		
Solid Waste Assistance Grant	1,189	-
Solid Waste Assistance Grant V	-	1,189
Solid Waste Enterprise	230,024	-
Unemployment Insurance	25,000	-
	<u>735,761</u>	<u>4,052,418</u>
	<u>\$ 6,217,052</u>	<u>\$ 6,217,052</u>

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

Interfund transfers at September 30, 2017 consisted of the following:

- \$ 15,228 From General Fund to Domestic Violence for match funds.
- 29,293 From General Fund to Youth Summer Fun Recreation Program to subsidize operations.
- 9,958 From General Fund to Cemetery Fund to subsidize operations.
- 18 From General Fund to DUI Grant Fund for match funds.
- 35,722 From General Fund to Urban Youth Corp Project to subsidize operations.
- 25,000 From General Fund to Unemployment Insurance Fund to subsidize operations.
- 62 From General Fund to Traffic Safety Grant to reimburse fund for disallowed costs by grantor.
- 2,993 From General Fund to Main Street Transportation Enhance Grant for match funds.
- 15,308 From General Fund to Linear Parks Phase II Grant for match funds.
- 25,000 From General Fund to Drug Court Grant Fund to subsidize operations.
- 10,000 From Special Projects Fund to General Fund for Chamber of Commerce Centennial.
- 804,440 From Special Projects Fund to Linear Parks Phase II for match funds.
- 42,454 From Special Projects Fund to General Fund (\$31,752), Sewage Enterprise Fund (\$4,638), Solid Waste Enterprise Fund (\$6,064) for GPS systems.
- 99 From Baptist Town Revitalization Fund due to General Fund for completed project.
- 390,134 From Industrial Rent-Milwaukee Tool Expansion Phase II to Special Projects Fund due to refunding of bonds issuance.
- 155,718 From Industrial Rent-Milwaukee Electric Tool to General Fund due to refunding of bonds issuance.
- 100,000 From Industrial Rent-Milwaukee Electric Tool to Milwaukee Electric Tool Expansion II Fund due to refunding of bonds issuance.
- 378,106 From Industrial Rent-Milwaukee Electric Tool to GO MBIA Refunding Bonds 2016 due to bonds refunded.
- 50,000 From GO MBIA Refunding Bonds 2016 to Milwaukee Electric Tool Expansion Phase II due to bonds refunded.
- 75,000 From GO MBIA Refunding Bonds 2016 to Milwaukee Electric Tool Expansion (Quality Lab) due to bonds refunded.
- 101 From 2005 GO Bond Fund to General Fund. Excess cash remaining after payoff of bonds.
- 1,189 From Solid Waste Assistance Grant-Forklift to Solid Waste Assistance Grant for the transfer of excess cash.
- 292,875 From Sewage Enterprise Fund to General Fund for pool renovation (\$237,875), street repairs (\$45,000), employee wages & benefits transfer (\$10,000).
- 55,420 From Sewage Enterprise Fund to Linear Parks Fund (Phase II) for match funds.

CITY OF GREENWOOD, MISSISSIPPI

Notes to Financial Statements

September 30, 2017

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

Interfund transfers continued:

- 5,154 From Sewage Enterprise Fund to General Fund for office equipment and mobile equipment transferred to public works and parks departments.
- 180,616 From Sewer Revenue Bonds Fund to General Fund to subsidize operations.
- 292,780 From Sewer Revenue Bonds Fund to Main Street Enhancement Project for match funds.
  
- 987,225 From Sewer Revenue Bonds Fund to 2015 GO Bond Fund for Police Department building renovation.
- 9,507 From Sewer Revenue Bonds Fund to Linear Parks Phase II for match funds.
- 223,960 From Sewer Revenue Bonds Fund to Solid Waste Enterprise Fund to subsidize operations.
- 730,000 From Greenwood Utilities to the General Fund to subsidize operations (\$720,000) and & appropriate \$5,000 to the Stars & Stripes Festival and \$5,000 for the Delta Band Festival.
- 28,310 From Greenwood Utilities to the General Fund for in-kind services.
- 300,000 From Greenwood Utilities to the Special Projects Fund for the Police Department building renovation.
- 83,000 From Greenwood Utilities to the Sewer Revenue Bonds Fund for \$6,917 monthly appropriations.
- 862,382 From Greenwood Utilities to the General Fund (\$470,472) and Sewer Revenue Bonds Fund (\$391,910) for free electric & water services.

\$ 6,217,052

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Capital Leases**

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

The City has financed five 2015 Ford Explorer Police Vehicles, nine garbage trucks, and one E-One 75' Aerial Fire Truck by means of capital leases. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

<b>Five 2015 Ford Explorer Police Vehicles</b>	<b>\$ 150,750</b>
------------------------------------------------	-------------------

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2017:

Year ending September 30:	
2018	\$ 21,458
Total minimum payments	21,458
Less: Amount representing interest	87
Present value of net minimum lease payments	\$ 21,371

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

The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2017:

Year ending September 30:	
2018	\$ 75,575
2019	75,575
2020	75,575
2021	75,575
2022	75,575
Total minimum payments	377,875
Less: Amount representing interest	28,478
Present value of net minimum lease payments	\$ 349,397

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

<b>Nine 2015 Garbage Trucks (Lease Refinance)</b>	<u><u>\$ 945,500</u></u>
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The following is a schedule by years of future minimum lease payments payable under this capital lease together with the present value of the net minimum lease payments as of September 30, 2017:

Year ending September 30:	
2018	\$ 340,514
2019	<u>255,385</u>
Total minimum payments	<u>595,899</u>
Less: Amount representing interest	<u>7,526</u>
Present value of net minimum lease payments	<u><u>\$ 588,373</u></u>

**F. Long-term debt:**

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 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 June 13, 2012, the City issued \$4,405,000 in Sewer System Revenue Refunding Bonds, Series 2012, with an average interest rate of 2.087% to refund \$4,344,441 of outstanding State Revolving Loans for Phases I, II and III with an average interest rate of 4.50%, 3.50% and 3%, respectively. The net proceeds of \$4,344,441, including a net original issue premium of \$51,763 (after payment of \$68,272 in bond issuance costs and \$44,050 in underwriter fees) resulted in a net present value savings benefit to the City in the amount of \$175,202. The State Revolving Loans for Phases I, II and III are considered to be defeased and the liability for those loans has been removed from the proprietary fund balance sheet and the government-wide statement of net 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.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

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.

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 bond, 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.

**1. General Obligation Bonds payable out of governmental activities:**

\$1,640,000 2011 General Obligation Refunding Bonds due in annual principal installments of \$140,000 to \$185,000 through March 1, 2022; interest at 2.68%	\$ 880,000
\$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%	1,080,000
\$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%	1,914,000
\$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%	2,795,000
Total	<u>2,795,000</u> <u>\$ 6,669,000</u>



**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**2. Notes Payable**

\$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 \$ 530,664

\$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 \$ 154,143

**3. 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. The state revolving loans payable at September 30, 2017 are as follows:

\$7,879,072 Sewer Rehab Revolving loan due in monthly installments of \$40,549 beginning July 1, 2008, through January 1, 2028; interest at 2% \$ 4,539,117

\$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% \$ 39,216,448

These loans will be repaid by a reduction in sales tax revenue received from the Mississippi Department of Revenue each month.

\$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 \$ 2,763,133

**4. Sewer System Revenue Refunding Bonds, Series 2012**

\$4,405,000 Sewer Refunding Bonds due in annual principal installments of \$185,000 to \$610,000 through September 30, 2021; variable interest at 2% to 2.5% \$ 1,515,000

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**5. Taxable Urban Renewal Revenue Bonds, Series 2016**

\$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.

\$ 1,981,481

**6. Long-term Debt Transactions**

A summary of long-term debt transactions for the year ended September 30, 2017, was as follows  
 (in thousands of dollars):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 6,069	\$ -	\$ 480	\$ 5,589	\$ 493
General Obligation MBIA Bond	1,260	-	1,260	-	-
Taxable General Obligation MBIA Refunding Bond	-	1,260	180	1,080	180
Taxable Urban Renewal Revenue Bond	2,000	-	18	1,982	222
Equipment note (Fire Dept)	191	-	37	154	38
Capital lease	521	-	150	371	88
Compensated absences	300	325	300	325	325
Total governmental activities	<u>\$ 10,341</u>	<u>\$ 1,585</u>	<u>\$ 2,425</u>	<u>\$ 9,501</u>	<u>\$ 1,346</u>
<b>Business-type activities:</b>					
State revolving loan (Phase IV)	\$ 4,931	\$ -	\$ 392	\$ 4,539	\$ 399
State revolving loan (Phase V)	38,322	1,756	862	39,216	1,746
State revolving loan (Drinking Water)	1,072	1,750	59	2,763	120
Sewer Revenue Refunding Bonds, Series 2012	2,125	-	610	1,515	605
Capital Improvement Loan	554	-	23	531	24
Capital lease	945	-	357	588	334
Compensated absences	366	22	1	387	142
Total business-type activities	<u>\$ 48,315</u>	<u>\$ 3,528</u>	<u>\$ 2,304</u>	<u>\$ 49,539</u>	<u>\$ 3,370</u>

**7. Legal Debt Margin and Debt Covenants**

The City's legal debt margin for the issuance of general obligation bonds was \$13,086,913 at September 30, 2017.

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, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**8. Annual Maturities Requirements**

The annual requirements to amortize all long-term debt outstanding as of September 30, 2017, including interest, by source of retirement are as follows:

Fiscal Year	Debt Service Fund (Special Tax Levy)		(Memorandum Only)
	General Obligation Bonds		Total
	Principal	Interest	
2018	\$ 493,000	\$ 140,086	\$ 633,086
2019	510,000	127,691	637,691
2020	526,000	115,159	641,159
2021	543,000	102,229	645,229
2022	554,000	88,948	642,948
2023-2027	1,478,000	304,147	1,782,147
2028-2032	875,000	163,575	1,038,575
2033-2035	610,000	29,981	639,981
<b>Totals</b>	<b>\$ 5,589,000</b>	<b>\$ 1,071,816</b>	<b>\$ 6,660,816</b>

Fiscal Year	Milwaukee Tool Expansion Phase I (Milwaukee Tool Rent)		(Memorandum Only)
	Taxable Urban Renewal Revenue Bonds		Total
	Principal	Interest	
2018	\$ 222,222	\$ -	\$ 222,222
2019	222,222	-	222,222
2020	222,222	-	222,222
2021	222,222	-	222,222
2022	222,222	-	222,222
2023-2026	870,371	-	870,371
<b>Totals</b>	<b>\$ 1,981,481</b>	<b>\$ -</b>	<b>\$ 1,981,481</b>

Fiscal Year	General Fund & Fire Protection Fund (Special Tax Levy & State Fire Protection Revenues)		(Memorandum Only)
	Note Payable		Total
	Principal	Interest	
2018	\$ 37,601	\$ 2,483	\$ 40,084
2019	38,207	1,877	40,084
2020	38,823	1,261	40,084
2021	39,512	635	40,147
<b>Totals</b>	<b>\$ 154,143</b>	<b>\$ 6,256</b>	<b>\$ 160,399</b>

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**Industrial Rent #260 (Milwaukee Tool Rents)**

Fiscal Year	General Obligation Refunding MBIA Bond		(Memorandum Only)
	Principal	Interest	Total
2018	\$ 180,000	\$ 24,255	\$ 204,255
2019	180,000	19,845	199,845
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
<b>Totals</b>	<b>\$ 1,080,000</b>	<b>\$ 77,380</b>	<b>\$ 1,157,380</b>

**Sewage Enterprise Fund (Water/Sewer Revenues)**

Fiscal Year	State Revolving Loan IV		(Memorandum Only)
	Principal	Interest	Total
2018	\$ 399,454	\$ 87,134	\$ 486,588
2019	407,516	79,071	486,587
2020	415,742	70,846	486,588
2021	424,133	62,454	486,587
2022	432,694	53,893	486,587
2023-2027	2,298,054	134,883	2,432,937
2028	161,524	673	162,197
<b>Totals</b>	<b>\$ 4,539,117</b>	<b>\$ 488,954</b>	<b>\$ 5,028,071</b>

**Sewage Enterprise Fund (Water/Sewer Revenues)**

Fiscal Year	Sewer Refunding Bonds		(Memorandum Only)
	Principal	Interest	Total
2018	\$ 605,000	\$ 32,313	\$ 637,313
2019	435,000	20,213	455,213
2020	290,000	11,295	301,295
2021	185,000	4,625	189,625
<b>Totals</b>	<b>\$ 1,515,000</b>	<b>\$ 68,446</b>	<b>\$ 1,583,446</b>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**Sewage Enterprise Fund (Water/Sewer Revenues)**

Fiscal Year	Capital Improvement Loan		(Memorandum Only)
	Principal	Interest	Total
2018	\$ 23,777	\$ 10,435	\$ 34,212
2019	24,257	9,955	34,212
2020	24,746	9,465	34,211
2021	25,246	8,966	34,212
2022	25,756	8,456	34,212
2023-2027	136,789	34,269	171,058
2028-2032	151,162	18,969	170,131
2033-2036	118,931	4,585	123,516
Totals	\$ 530,664	\$ 105,100	\$ 635,764

**Sewage Enterprise Fund (Water/Sewer Revenues)**

Fiscal Year	State Revolving Loan V		(Memorandum Only)
	Principal	Interest	Total
2018	\$ 1,746,378	\$ 672,325	\$ 2,418,703
2019	1,777,186	641,517	2,418,703
2020	1,808,537	610,165	2,418,702
2021	1,840,442	578,261	2,418,703
2022	1,872,909	545,794	2,418,703
2023-2027	9,871,959	2,221,554	12,093,513
2028-2032	10,773,985	1,319,526	12,093,511
2033-2037	9,525,052	351,315	9,876,367
Totals	\$ 39,216,448	\$ 6,940,457	\$ 46,156,905

**Drinking Water Systems Improvement Revolving Loan (Greenwood Utilities)**

Fiscal Year	State Revolving Loan		(Memorandum Only)
	Principal	Interest	Total
2018	\$ 120,082	\$ 52,812	\$ 172,894
2019	122,445	50,449	172,894
2020	124,854	48,040	172,894
2021	127,311	45,583	172,894
2022	129,816	43,078	172,894
2023-2027	834,327	176,060	1,010,387
2028-2032	937,795	105,619	1,043,414
2033-2037	366,503	29,028	395,531
Totals	\$ 2,763,133	\$ 550,669	\$ 3,313,802

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**G. 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. 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% \$ 220,000

**H. 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:

	<b>Nonmajor Governmental Funds</b>
<b>Fund Balances</b>	
<b>Restricted for:</b>	
Public safety	\$ 16,734
Public works	200,302
Health and welfare	16,875
Economic development & assistance	9,527
Debt service	619,082
<b>Assigned to:</b>	
Public safety	60,684
Culture & recreation	7,177
Economic development & assistance	63,619
Total fund balances	\$ 994,000

Unrestricted net position for Greenwood Utilities was comprised of unrestricted net position and board designated net position balances of (\$1,522,506) and \$7,878,958, respectively.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**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.

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**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

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

*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, 2017, was 15.75% of annual payroll, 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 2017, the City's and Greenwood Utilities' contribution to the pension plan was \$1,069,742 and \$653,196, respectively.



**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

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

*City of Greenwood.*

At September 30, 2017, the City reported a liability of \$17,556,777, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, relative to the total employer contributions of participating employers to PERS. At June 30, 2017, the City's proportion was 0.110279%, which was an increase of 0.001048% from its proportion of 0.109231%, as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$1,049,617. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 252,420	\$ 128,107
Changes of assumptions or other inputs	401,131	29,633
Net difference between projected and actual earnings on pension plan investments	-	231,086
Changes in proportion	126,881	253,330
Employer contributions subsequent to the measurement date	229,648	-
	<u>\$ 1,010,080</u>	<u>\$ 642,156</u>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

At September 30, 2017, the City reported \$229,648 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 2018 fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2017, related to pensions will be recognized in pension expense as follows:

Year Ending September 30		
2018	\$	208,434
2019		240,244
2020		28,731
2021		(339,133)
	\$	<u>138,276</u>

***Greenwood Utilities***

At September 30, 2017, Greenwood Utilities reported a liability of \$10,730,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, relative to the total employer contributions of participating employers to PERS. At June 30, 2017, Greenwood Utilities' proportion was 0.064548%, which was an increase of 0.003061% from its proportion of 0.061487%, as of June 30, 2016.

For the year ended September 30, 2017, Greenwood Utilities recognized pension expense of \$1,341,839. At September 30, 2017, 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	\$ 154,156	\$ 78,294
Changes of assumptions or other inputs	238,488	18,284
Net difference between projected and actual earnings on pension plan investments	-	137,766
Changes in proportion	350,356	-
Employer contributions subsequent to the measurement date	150,874	-
	<u>\$ 893,874</u>	<u>\$ 234,344</u>

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

At September 30, 2017, Greenwood Utilities reported \$150,874 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 2018 fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2017, related to pensions will be recognized in pension expense as follows:

Year Ending September 30		
2018	\$	341,851
2019		312,455
2020		61,617
2021		(207,267)
	\$	<u>508,656</u>

**3. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3%
Salary increases	3.25-18.50%, average including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016. The experience report is dated April 18, 2017.

For the year ended June 30, 2017, 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.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
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**NOTE 4 – PENSION PLANS (CONTINUED)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Expected Real Rate of Return</u>
U.S. Broad	27.00%	4.60%
International equity	18.00%	4.50%
Emerging markets equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real assets	10.00%	3.50%
Private equity	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
	<u>100.00%</u>	

**4. Discount Rate**

The discount rate used to measure the total pension liability was 7.75% at June 30, 2017. 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 current employer contribution rate (15.75%). 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:**

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	<u>\$ 23,026,884</u>	<u>17,556,777</u>	<u>\$ 13,015,398</u>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

**Greenwood Utilities:**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 14,073,201	\$ 10,730,069	\$ 7,954,542

**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, 2017, the City and Greenwood Utilities have no amounts payable for outstanding contributions to the pension plan required for the year ended June 30, 2017.

**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, 2017, the date of the most recent actuarial verification, there were one participating municipal employee and 56 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS, 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

**2. Basis of Accounting**

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, and investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<u>Net Pension Liability</u>	
<u>Measurement Date</u>	<u>June 30, 2017</u>
Total Pension Liability	\$ 7,417,244
Fiduciary Net Position	3,025,621
Net Pension Liability	<u>\$ 4,391,623</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 on pages 85-86.

**4. Schedule of Changes in Net Pension Liability**

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

<u>Change in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at June 30, 2016	\$ 7,751,306	\$ 2,972,591	\$ 4,778,715
Interest	570,503	-	570,503
Difference between expected and actual experience	-	-	-
	(144,384)	-	(144,384)
Change in assumptions	19,779	-	19,779
Contributions - employer	-	444,143	(444,143)
Contributions - employee	-	5,227	(5,227)
Net investment income	-	392,073	(392,073)
Benefit payments, including refunds	(779,960)	(779,960)	-
Administrative expense	-	(8,883)	8,883
Other changes	-	430	(430)
Net Change	<u>(334,062)</u>	<u>53,030</u>	<u>(387,092)</u>
Balances at June 30, 2017	<u>\$ 7,417,244</u>	<u>\$ 3,025,621</u>	<u>\$ 4,391,623</u>

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

**5. Pension Expense**

For the year ended September 30, 2017, the City recognized total pension expense of \$258,469. Pension expense recognized by the plan is as follows:

	<u>Pension Expense</u>
Service Cost	\$ -
Interest on the total pension liability	570,503
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(144,384)
Expensed portion of current-period changes in assumptions	19,779
Member contributions	(5,227)
Projected earnings on plan investments	(217,221)
Expense portion of current-period differences between actual and projected earnings on plan investments	(34,970)
Administrative expense	8,883
Other	(430)
Recognition of beginning deferred outflows of resources as pension expense	61,536
Recognition of beginning deferred inflows of resources as pension expense	-
	-
Total Pension Expense(Income)	\$ 258,469

**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, 2017 for the Disability and Relief municipal plan are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 20,734	\$ -
Employer contributions subsequent to the measurement date	62,722	-
	\$ 83,456	\$ -

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

At September 30, 2017, the City reported \$62,722 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 2018 fiscal year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at September 30, 2017 will be recognized in pension expense as follows:

<u>Year ending September 30</u>	<u>Amount</u>
2018	\$ 26,566
2019	26,565
2020	2,575
2021	(34,972)
	<u>\$ 20,734</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.

**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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Plan's Net Pension Liability	<u>\$ 4,943,838</u>	<u>\$ 4,391,623</u>	<u>\$ 3,906,840</u>

**9. Schedule of Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 4 – PENSION PLANS (CONTINUED)**

Inflation	3.00%
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, 2015
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, 2017, the required amounts were funded. Claims totaled \$9,075 during fiscal year 2017 for the City of Greenwood. Greenwood Utilities paid \$0 for unemployment claims and \$2,232 as a .5% employer.

**2. Group Employee Benefits**

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Greenwood and employees, to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues, including interest income and reinsurance funds, totaled \$1,311,160 and employee benefit costs and administrative expenses were \$1,497,953 during fiscal year 2017. Claims incurred but not reported at September 30, 2017, in the Employees' Group Benefit Fund are provided for in claims payable and totaled \$166,984.

Greenwood Utilities maintains a Medical Plan Reserve account to fund the accumulation of revenues, principally contributions from the utility and employees, to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the utilities' medical plan. Revenues totaled \$645,846, and employee benefit costs were \$799,104 during fiscal year 2017. Claims incurred but not reported at September 30, 2017, in the Medical Plan Reserve Fund are included in group medical insurance claims allowance as a restricted liability and totaled \$128,938.

**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

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

	Unemployment Benefits Fund	Employee Benefit Fund
Ending balance, 10/1/2015	\$ 55,961	\$ 287,341
Current year claims	-	1,268,495
Interest earnings	49	571
Miscellaneous charges	-	(11,342)
Claims payments and administration	<u>(10,842)</u>	<u>(1,243,278)</u>
Ending balance, 9/30/16	45,168	301,787
Current year contributions	-	1,309,298
Interest earnings	273	1,863
Transfers in	25,000	-
Miscellaneous charges	-	(7,414)
Claims payments and administration	<u>(9,072)</u>	<u>(1,490,539)</u>
Ending balance, 9/30/17	<u>\$ 61,369</u>	<u>\$ 114,995</u>

**4. Workers' Compensation Benefits**

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

Greenwood Utilities purchases insurance for its workers' compensation coverage.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**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.

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**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**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 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, 2017, was \$4,539,117 Detailed information is provided in Note 3.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

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, 2017, was \$39,216,448. 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, 2017, 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, 2017.

**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.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED):**

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 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, 2017.

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED):**

**E. Joint Ventures**

The following provides the summary financial information of the Municipal Energy Agency of Mississippi (MEAM) as of September 30, 2017, the Greenwood-Leflore Airport September 30, 2016 (September 30, 2017, not yet issued) and the Greenwood-Leflore Industrial Board as of September 30, 2016 (September 30, 2017, not yet issued):

<u>Municipal Energy Agency of Mississippi (MEAM)</u>	<u>2017</u>
Total assets	\$ 118,655,434
Deferred outflows of resources	\$ 81,159
Total liabilities	\$ 91,855,427
Total deferred inflows of resources	\$ 21,801,431
Total net position	\$ 5,079,735
Total revenues	\$ 33,187,046
Total expenses	\$ 33,202,884
Increase (decrease) in net position	\$ (15,838)
Total debt	\$ 89,182,278
Net pension liability	\$ 683,621

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

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

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

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED):**

<u>Greenwood-Leflore Industrial Board</u>	<u>2016</u>
Total assets	\$ 39,229
Total liabilities	\$ 39,229
Total net position	\$ -
Total program and general revenues	\$ 195,219
Total expenses	\$ 195,219
Increase (decrease) in net position	\$ -
Accrued compensated absences	\$ 7,654

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

**F. Comprehensive Income**

Net comprehensive income is equal to net income.

**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$4,868 was made to correct the September 30, 2016 net position related to the overstatement of accounts receivable for the Greenwood-Leflore Public Library, a component unit of the City of Greenwood.

**NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 18, 2018, the date on which the financial statements were available to be issued.

*City of Greenwood*

On October 26, 2017, the City issued Tax Increment Financing Bonds, Series 2017, in the principal amount of \$700,000, in order to finance the costs of installing and constructing certain infrastructure improvements with a new Chrysler, Dodge, and Jeep dealership. 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.

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**CITY OF GREENWOOD, MISSISSIPPI**

**Notes to Financial Statements**

**September 30, 2017**

**NOTE 7 – SUBSEQUENT EVENTS (CONTINUED)**

In May 2018, the City was awarded 2017 Community Development Block Grant funds in the amount of \$6,000,000 and 2017 DIP funds from the Mississippi Development Authority in the amount of \$3,000,000 to be used toward the Milwaukee Electric Tool Corporation Megahub Phase III Expansion Project renovations. The purchase of the building and the addition of a new parking lot will be financed through a \$5,000,000 capital improvements loan.

***Greenwood Utilities***

In November 2017, Greenwood Utilities notified MEAM and its interconnection operators of its desire to retire its generating units and terminate the power purchase agreement effective May 31, 2018. As the Commission has the authority to set rates, Greenwood Utilities follows the regulated operations provisions of GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Under the provisions of GASB 62, 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. 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. The ultimate resolution and effect of this termination to Greenwood Utilities, including impacts on rates and charges and accounting for any unrecovered costs associated with the facility, will not be determined until acceptance of the termination request and the completion of engineering, accounting and other studies, and resulting actions of the Commission.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportionate share of the net pension liability	\$ 17,556,777	\$ 18,686,173	\$ 16,804,452
Employer's proportion of the net pension liability	0.110%	0.109%	0.114%
Employer's covered-employee payroll	\$ 6,792,012	\$ 6,961,023	\$ 7,093,107
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	258.49%	268.44%	236.91%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%
<u>GREENWOOD UTILITIES</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportionate share of the net pension liability	\$ 10,730,069	\$ 10,983,115	\$ 9,475,618
Employer's proportion of the net pension liability	0.065%	0.061%	0.061%
Employer's covered-employee payroll	\$ 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	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017 measurement date used for September 30, 2017).

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.

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.

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Mississippi Public Employees' Retirement System**

*Last 10 Fiscal Years\****CITY OF GREENWOOD**

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

**GREENWOOD UTILITIES**

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

\*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, 2017 measurement date used for September 30, 2017).

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**

	2017	2016	2015
<b>PENSION LIABILITY</b>			
Service cost	\$ -	\$ -	\$ 8,764
Interest	570,503	597,730	619,518
Change in benefit terms	-	-	-
Difference between expected and actual experience	(144,384)	(169,577)	(107,862)
Change of assumptions	19,779	-	239,110
Benefit payments, including refunds of employee contributions	(779,960)	(778,993)	(802,724)
Net change in total pension liability	(334,062)	(350,840)	(43,194)
Total pension liability - beginning	7,751,306	8,102,146	8,145,340
Total pension liability - ending (a)	<u>\$ 7,417,244</u>	<u>\$ 7,751,306</u>	<u>\$ 8,102,146</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 444,143	\$ 465,290	\$ 501,221
Contributions - member	5,227	9,248	8,366
Net investment income	392,073	50,338	139,303
Benefit payments, including refunds of employee contributions	(779,960)	(778,993)	(802,724)
Administrative expense	(8,883)	(9,306)	(10,024)
Other changes	430	7,458	-
Net change in plan fiduciary net position	53,030	(255,965)	(163,858)
Plan net position - beginning	2,972,591	3,228,556	3,392,414
Plan net position - ending (b)	<u>\$ 3,025,621</u>	<u>\$ 2,972,591</u>	<u>\$ 3,228,556</u>
Net pension liability - ending (a) - (b)	<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	40.79%	38.35%	39.85%
Covered payroll*	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll*	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**

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

**PENSION SCHEDULES 1 AND 2**

**NOTE 1 – CHANGE IN BENEFIT PROVISIONS**

- **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 – CHANGE IN ASSUMPTIONS**

- **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%.

**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to the Schedules of Required Supplementary Information**

**NOTE 2 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 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	33.9 years
Asset valuation method	Five year smoothed market
Price inflation	3.00%
Salary increase	3.75 - 19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**PENSION SCHEDULES 3 AND 4**

**NOTE 1 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 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



SUPPLEMENTAL INFORMATION

**CITY OF GREENWOOD, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2017**

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND AMOUNT</u>
CAROLYN H. MCADAMS	MAYOR	TRAVELERS CASUALTY	\$ 100,000
THOMAS GREGORY, III	CHIEF ADMINISTRATIVE OFFICER	FCCI INS GROUP	\$ 50,000
NICK JOSEPH, JR.	CITY CLERK	FCCI INS GROUP	\$ 50,000
RAYMOND K. MOORE	POLICE CHIEF	TRAVELERS CASUALTY	\$ 50,000
JOHN 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

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SINGLE AUDIT AND STATE LEGAL COMPLIANCE

**CITY OF GREENWOOD, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through program Mississippi Development Authority:			
Community Development Block Grants/State's Program & Nonentitlement Grants in Hawaii	14.228	1132-15-200-ED-01	\$ 600,016
Community Development Block Grants/State's Program & Nonentitlement Grants in Hawaii	14.228	1132-15-200-ED-01 - QUALITY LAB	46,485
SUBTOTAL CFDA #14.228			<u>646,501</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>646,501</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Programs:			
Bulletproof Vest Program	16.607	NOT APPLICABLE	4,425
Passed through Mississippi			
Department of Public Safety and Department of Public Health:			
Violence Against Women Formula Grants-ARRA	16.588	2015-WF-AX-0028	28,450
Violence Against Women Formula Grants-ARRA	16.588	2016-WF-AX-0043	9,110
SUBTOTAL CFDA #16.588			<u>37,560</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>41,985</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Mississippi Department of Transportation:			
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	DRA-8831-00(008)LPA/106059-801000	667,575
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	STP-9495-00(003)LPA/106366-701000	528,972
Highway Planning and Construction: (Federal-Aid Highway Program)-ARRA	20.205	STP-9505-00(001)LPA 106683-701000	1,068,657
SUBTOTAL CFDA #20.205			<u>2,265,204</u>
Passed through Mississippi Department of Public Safety:			
Occupant Protection Incentive Grants	20.600	PT-2017-PT-21-31	11,919
Alcohol Open Container Requirements	20.607	154AL-2017-ST-21-31	45,954
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,323,077</u>
<b>U. S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	00D46416	160,121
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>160,121</u>
<b>TOTAL</b>			<u>\$ 3,171,684</u>

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2017**

**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, 2017. 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 - CONTINGENCY**

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

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the 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>\$ 4,539,117</u>
Phase V wastewater treatment facility			
1.75% note dated November 9, 2013	66.458	SRF-C280782-05-1	<u>\$ 39,216,448</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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2018.

**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 were not 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: 2017-1.

**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

*Fred T. Neely & Company, PLLC*

Greenwood, Mississippi  
June 18, 2018

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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, 2017. 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, 2017.

**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  
June 18, 2018

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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, 2017 and have issued our report thereon dated June 18, 2018. 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 did not disclose any 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  
June 18, 2018

**CITY OF GREENWOOD, MISSISSIPPI**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2017**

**2016-1. 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.

**2016-2. Findings relating to State Legal Compliance**

**Condition:** Expenditures exceeded the adopted budget in one functional category.

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

**Current Status:** Corrected.

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**CITY OF GREENWOOD, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2017**

**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 20.205 - Highway Planning and Construction                                                    |                |
| 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, 2017**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

***MATERIAL WEAKNESS***

**2017-1: 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.



## CITY OF GREENWOOD

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

### *CORRECTIVE ACTION PLAN*

June 18, 2018

The City of Greenwood, Mississippi, respectfully submits the following corrective action plan for the year ended September 30, 2017.

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, 2017.

The findings from the 2017 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***

##### **2017-1:**

***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