

City of Greenwood, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF GREENWOOD, ARKANSAS
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Arkansas

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Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

City of Greenwood, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Greenwood, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2021, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Greenwood, Arkansas as of December 31, 2021; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Greenwood, Arkansas, as of December 31, 2021, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, 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 the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The 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.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
January 6, 2023
LOM103921

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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*

Independent Auditor's Report

City of Greenwood, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Greenwood, Arkansas (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated January 6, 2023. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also reported to management of the City in a separate letter dated January 6, 2023.

Purpose of This Report

The purpose of this report is solely to described 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. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Timothy R. Jones". The signature is fluid and cursive, with the first name "Timothy" being more prominent.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 6, 2023

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

City of Greenwood, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

The commentary contained in this letter relate to the following officials who held office during 2021:

Mayor: Doug Kinslow
Recorder/Treasurer: Sharla Derry
Finance Director: Thomas Marsh
Police Chief: Will Dawson

No issues came to our attention that we considered necessary to report to management.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, reading "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 6, 2023

CITY OF GREENWOOD, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2021

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 3,646,406	\$ 4,172,804	\$ 6,214,346
Accounts receivable	607,718	76,617	59,106
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,254,124</u>	<u>\$ 4,249,421</u>	<u>\$ 6,273,452</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 230,810	\$ 31,251	\$ 58,186
Settlements pending			18,065
Total Liabilities	<u>230,810</u>	<u>31,251</u>	<u>76,251</u>
Fund Balances:			
Restricted	1,727,729	4,030,932	6,197,201
Committed		187,238	
Assigned	229,613		
Unassigned	2,065,972		
Total Fund Balances	<u>4,023,314</u>	<u>4,218,170</u>	<u>6,197,201</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,254,124</u>	<u>\$ 4,249,421</u>	<u>\$ 6,273,452</u>

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

CITY OF GREENWOOD, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 168,596	\$ 749,228	
Federal aid	3,550		\$ 975,206
Property taxes	634,042	380,419	
Franchise fees	503,387		
Sales taxes	4,848,100	440,112	440,111
Fines, forfeitures, and costs	71,077		
Interest	2,234	2,176	1,491
Local permits and fees	99,627	2,675	
Advertising and promotion taxes	84,559		107,651
Other	339,545	2,167	
TOTAL REVENUES	6,754,717	1,576,777	1,524,459
EXPENDITURES			
Current:			
General government	1,139,402		78,949
Law enforcement	1,817,320		
Highways and streets		1,103,520	500,000
Public safety	1,203,058		
Recreation and culture	497,909		
Total Current	4,657,689	1,103,520	578,949
Debt Service:			
Bond principal			70,000
Bond interest and other charges			202,852
Note principal	192,255		
Note interest	13,194		
TOTAL EXPENDITURES	4,863,138	1,103,520	851,801

CITY OF GREENWOOD, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,891,579	\$ 473,257	\$ 672,658
OTHER FINANCING SOURCES (USES)			
Transfers in	15,016	5,000	
Transfers out	(5,000)		(15,016)
Sales taxes remitted to water/sewer department	(1,760,446)		
Proceeds from sale of assets		154,000	
Note proceeds	566,991		
TOTAL OTHER FINANCING SOURCES (USES)	(1,183,439)	159,000	(15,016)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	708,140	632,257	657,642
FUND BALANCES - JANUARY 1	3,315,174	3,585,913	5,539,559
FUND BALANCES - DECEMBER 31	\$ 4,023,314	\$ 4,218,170	\$ 6,197,201

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

CITY OF GREENWOOD, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 160,250	\$ 168,596	\$ 8,346	\$ 676,295	\$ 749,228	\$ 72,933
Federal aid		3,550	3,550			
Property taxes	583,000	634,042	51,042	346,741	380,419	33,678
Franchise fees	475,000	503,387	28,387			
Sales taxes	4,242,757	4,848,100	605,343	369,284	440,112	70,828
Fines, forfeitures, and costs	81,750	71,077	(10,673)			
Interest	3,400	2,234	(1,166)	4,000	2,176	(1,824)
Local permits and fees	125,950	99,627	(26,323)	10,000	2,675	(7,325)
Advertising and promotion taxes	70,902	84,559	13,657			
Other	298,771	339,545	40,774	1,250	2,167	917
TOTAL REVENUES	6,041,780	6,754,717	712,937	1,407,570	1,576,777	169,207
EXPENDITURES						
Current:						
General government	1,256,528	1,139,402	117,126			
Law enforcement	1,948,042	1,817,320	130,722			
Highways and streets				2,014,452	1,103,520	910,932
Public safety	793,072	1,203,058	(409,986)			
Recreation and culture	756,663	497,909	258,754			
Total Current	4,754,305	4,657,689	96,616	2,014,452	1,103,520	910,932
Debt Service:						
Note principal	35,425	192,255	(156,830)			
Note interest	8,118	13,194	(5,076)			
TOTAL EXPENDITURES	4,797,848	4,863,138	(65,290)	2,014,452	1,103,520	910,932

CITY OF GREENWOOD, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,243,932	\$ 1,891,579	\$ 647,647	\$ (606,882)	\$ 473,257	\$ 1,080,139
OTHER FINANCING SOURCES (USES)						
Transfers in	173,320	15,016	(158,304)	155,000	5,000	(150,000)
Transfers out	(178,320)	(5,000)	173,320	(150,000)		150,000
Sales taxes remitted to water/sewer department	(1,618,903)	(1,760,446)	(141,543)			
Proceeds from sale of assets					154,000	154,000
Note proceeds		566,991	566,991			
TOTAL OTHER FINANCING SOURCES (USES)	(1,623,903)	(1,183,439)	440,464	5,000	159,000	154,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(379,971)	708,140	1,088,111	(601,882)	632,257	1,234,139
FUND BALANCES - JANUARY 1	5,609,067	3,315,174	(2,293,893)	2,610,456	3,585,913	975,457
FUND BALANCES - DECEMBER 31	\$ 5,229,096	\$ 4,023,314	\$ (1,205,782)	\$ 2,008,574	\$ 4,218,170	\$ 2,209,596

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

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Greenwood was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, property taxes, and sales taxes that are restricted or committed for maintaining and constructing highways and streets.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for the Capital Projects Fund reported with other funds in the aggregate.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for the Custodial Fund reported with other funds in the aggregate.

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally 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 government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand, money market accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

Settlements Pending

Settlements pending are considered payroll liabilities that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Fund Balance Classifications (Continued)

2. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

F. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds.

G. Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures (Continued)

The Municipality does have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. Per the City policy, for classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 316,589	\$ 316,589
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	8,659,824	8,825,561
Uncollateralized	5,055,868	5,055,868
	<u>\$ 14,032,281</u>	<u>\$ 14,198,018</u>
Total Deposits		

The above total deposits do not include cash on hand of \$1,275.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, \$5,055,868 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of other U.S. government securities, which are not insured or collateralized.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: Accounts Receivable

The accounts receivable balance at December 31, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 63,386	\$ 38,031	
Franchise fees	83,075		
Sales taxes	428,990	38,586	\$ 38,586
Fines, forfeitures, and costs	4,300		
Advertising and promotion taxes	7,450		20,520
Other	20,517		
Totals	<u>\$ 607,718</u>	<u>\$ 76,617</u>	<u>\$ 59,106</u>

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 76,467	\$ 31,251	\$ 58,186
Other	154,343		
Totals	<u>\$ 230,810</u>	<u>\$ 31,251</u>	<u>\$ 58,186</u>

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2021, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government	\$ 5,250		\$ 1,102,747
Law enforcement	2,433		
Highways and streets		\$ 4,030,932	
Public safety	830,270		
Recreation and culture	889,776		
Capital outlay			4,501,338
Debt service			593,116
Total Restricted	<u>1,727,729</u>	<u>4,030,932</u>	<u>6,197,201</u>
Committed for:			
Highways and streets		<u>187,238</u>	
Assigned to:			
General government	147,000		
Law enforcement	67,396		
Public safety	9,617		
Recreation and culture	5,600		
Total Assigned	<u>229,613</u>		
Unassigned	<u>2,065,972</u>		
Totals	<u>\$ 4,023,314</u>	<u>\$ 4,218,170</u>	<u>\$ 6,197,201</u>

NOTE 7: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2021, the legal debt limit for the bonded debt was \$25,090,122. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2021, the legal debt limit for short-term financing obligations was \$6,456,830. The amount of short-term financing obligations was \$729,557, leaving a legal debt margin of \$5,727,273.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2021:

	December 31, 2021
Long-term liabilities	<u>\$ 8,159,213</u>

Long-term liabilities

Long-term liabilities at December 31, 2021, are comprised of the following:

	December 31, 2021
<u>Bonds</u>	
Sales and Use Tax Refunding and Improvements Bonds, Series 2020, dated November 19, 2020, in the amount of \$7,180,000, due in semi-annual installments of \$65,000 to \$310,000 plus interest through November 1, 2060, interest from 2% to 3.25%. Payments are to be made from the Debt Service Fund.	<u>\$ 7,110,000</u>
<u>Direct Borrowings</u>	
Note payable dated August 8, 2017, with Farmer's Bank in the amount of \$301,500, with interest rate of 2.5% for the purchase of land. Monthly payments of \$5,351 for 60 months, followed by a single payment of the entire unpaid balance of principal and interest at maturity. Payments are to be made from the General Fund.	42,408
Note payable dated July 10, 2018, with Farmer's Bank in the amount of \$467,191, with interest rate of 3.00% for purchase of a fire truck. Monthly payments of \$8,395 for 60 months, followed by a single payment of the entire unpaid balance of principal and interest at maturity. Payments are to be made from the General Fund.	155,583
Note payable dated July 28, 2021, with Farmer's Bank in the amount of \$566,991, with interest rate of 2.75% for purchase of a fire truck. Monthly payments of \$10,125 for 60 months, followed by a single payment of the entire unpaid balance of principal and interest at maturity. Payments are to be made from the General Fund.	531,566
Total Direct Borrowings	<u>729,557</u>
Compensated absences consisting of accrued vacation, sick leave, and compensatory time adjusted to current salary cost	<u>319,656</u>
Total Long-term liabilities	<u>\$ 8,159,213</u>

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

The City's outstanding bonds payable of \$7,110,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8: Commitments (Continued)

The City's outstanding notes from direct borrowings of \$729,557 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
11/19/20	11/1/60	2 - 3.25%	\$ 7,180,000	\$ 7,110,000	\$ 70,000
<u>Direct Borrowings</u>					
8/8/17	8/8/22	2.50%	301,500	42,408	259,092
7/10/18	7/15/23	3.00%	467,191	155,583	311,608
7/28/21	8/15/26	2.75%	566,991	531,566	35,425
Total Direct Borrowings			1,335,682	729,557	606,125
Total Long-Term Debt			<u>\$ 8,515,682</u>	<u>\$ 7,839,557</u>	<u>\$ 676,125</u>

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 7,180,000	\$ 0	\$ 70,000	\$ 7,110,000
<u>Direct Borrowings</u>				
Notes payable	354,821	566,991	192,255	729,557
Total Long-Term Debt	<u>\$ 7,534,821</u>	<u>\$ 566,991</u>	<u>\$ 262,255</u>	<u>\$ 7,839,557</u>

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2021:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 65,000	\$ 209,550	\$ 274,550	\$ 248,053	\$ 16,994	\$ 265,047
2023	65,000	208,250	273,250	169,437	11,024	180,461
2024	70,000	206,950	276,950	114,355	7,148	121,503
2025	70,000	205,550	275,550	117,540	3,963	121,503
2026	120,000	203,450	323,450	80,172	1,609	81,781
2027 through 2031	640,000	961,900	1,601,900			
2032 through 2036	735,000	874,925	1,609,925			
2037 through 2041	825,000	777,788	1,602,788			
2042 through 2046	950,000	655,863	1,605,863			
2047 through 2051	1,100,000	505,413	1,605,413			
2052 through 2056	1,285,000	320,612	1,605,612			
2057 through 2060	1,185,000	97,662	1,282,662			
Totals	<u>\$7,110,000</u>	<u>\$5,227,913</u>	<u>\$12,337,913</u>	<u>\$ 729,557</u>	<u>\$ 40,738</u>	<u>\$ 770,295</u>

NOTE 9: Interfund Transfers

General Fund transferred \$5,000 to the Street Fund to supplement operations. In addition, Other Funds in the Aggregate (Sales and Use Tax – Police Department Building) transferred \$15,016 to General Fund in excess sales and use taxes.

NOTE 10: Pledged Revenues

The City pledged future .25% sales and use taxes to repay \$7,180,000 in bonds that were issued in 2020 to provide funding for street project improvements. Total principal and interest remaining on the bonds are \$7,110,000 and \$5,227,913, respectively, payable through November 1, 2060. For 2021, principal and interest paid were \$70,000 and \$200,402, respectively.

The Debt Service Fund received \$440,111 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any lawful purpose.

NOTE 11: Joint Venture

The City of Greenwood (host) entered into an energy service agreement with Scenic Hills Solar, VIII, LLC (provider) on September 16, 2020. The City agreed to provide the land to the provider for development of solar powered electric generating facilities. In return, the city agreed to purchase all electric produced from the facility, at agreed upon rates that vary each year until 2049. The City also has the option to purchase the facility at the start of year six. The City did not purchase any electricity in 2021.

NOTE 12: Jointly Governed Organization – Twelfth Judicial Drug Task Force

The Prosecuting Attorneys of the Twelfth Judicial District and the Twenty-First Judicial District, the Sebastian County and Crawford County Sheriffs' Departments, and the Police Departments of Fort Smith, Alma, Greenwood, and Barling entered into an agreement to establish the Twelfth Judicial Drug Task Force. Funding is provided by grants and the Prosecuting Attorney's offices, local Sheriffs' Departments, and the local police departments. The City has not provided any funding to the Twelfth Judicial Drug Task Force. Separate financial statements for the Twelfth Judicial Drug Task Force are available at: 901 South B Street, Fort Smith, AR 72901.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13: Interlocal Agreements

District Court Judge

Sebastian County and the Cities of Greenwood, Barling, and Central City entered into an agreement to provide for the District Judge's annual salary of \$117,300 to be paid 50% by the State and the remaining 50% to be paid as follows: 61% by Sebastian County, 15% by Barling, 4% by Central City, and 20% by Greenwood. The Judge is an employee of the State of Arkansas and is elected for a four year term. The City's share of the expenses for 2021 were \$11,618.

Hazmat Response Program

The City of Greenwood, Sebastian County, and the Cities of Barling, Bonanza, Central City, Fort Smith, Hackett, Hartford, Huntington, Lavaca, Mansfield, and Midland entered into an agreement concerning contributions to operation and maintenance of a County Hazmat Response Program. This agreement was entered into in 2002. The City of Greenwood contributed \$3,581 to Sebastian County in 2021.

Metropolitan Planning Organization

The City of Greenwood, Crawford County, Sebastian County, the Cities of Alma, Barling, Bonanza, Central City, Fort Smith, Kibler, Lavaca, Van Buren, the Western Arkansas Intermodal Authority, and the Fort Smith Regional Airport Commission within the State of Arkansas along with Leflore County, Sequoyah County, the Towns of Arkoma, Moffett, and Pocola within the State of Oklahoma entered into an agreement to form a Metropolitan Planning Organization and to create a Metropolitan Transportation Planning Area and Planning Organization. The Metropolitan Planning Organization is to be known as the "Frontier Metropolitan Planning Organization". During 2021, the City contributed \$545 in support of this organization.

Regional Crisis Stabilization Unit

The City entered into an interlocal agreement dated November 8, 2018, with the counties and cities in the Sebastian County mental health catchment area, including Sebastian, Crawford, Franklin, Logan, Scott, and Polk Counties and all incorporated cities in these counties, concerning the operations of the Sebastian County Regional Crisis Stabilization Unit. This program will be utilized by the counties and cities to divert people who are experiencing a mental health crisis from jail to get the treatment they need, as determined by the medical service provider who is trained to recognize and treat behavioral health issues. The program shall be maintained by the Sebastian County Judge. State funding of \$1.6 million annually has been allocated for Sebastian County to operate the crisis stabilization unit based upon daily billable services to each individual treated and subject to Medicaid reimbursements and other patient insurance. Sebastian County will initially pay all expenses incurred for operations and management of the program. The counties and cities will participate in a cost sharing agreement based on the cost per day for services for each patient, which will be determined by actual operations expenses. The cost sharing will equitably allocate the unreimbursed cost to each governmental entity participating in the program, after consideration of grant funding and allowable insurance reimbursements. The cost sharing agreement will be based upon the collection of actual operations data in the first year of service, and each year thereafter, as appropriate for annual adjustment. In addition, to defray maintenance and operation costs the counties and cities agree to pay a daily rate of \$5 for services provided each day of care, for the length of stay. Sebastian County had planned to send a monthly itemized bill to each county and city, beginning August 1, 2018, to receive reimbursement for each county's and city's equitable share of expenses. However, Sebastian County has not billed the counties or cities for costs as of December 30, 2021.

NOTE 14: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 14: Risk Management (Continued)

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

**NOTE 15: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan 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 can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

On December 12, 2017, administration of the City of Greenwood Firemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

**NOTE 15: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$159,316 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$116,012 for the year ended December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$1,485,681.

NOTE 16: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurers Wilma J. Cabe and Linda Bryant \$23,316 and \$14,820, respectively, for the year ended December 31, 2021.

NOTE 17: Employee Pension Trust (Defined Contribution Plan)

All employees with the exception of Police Officers and Firemen are eligible to participate in a Money Purchase Pension Plan maintained by the City of Greenwood, known as the City of Greenwood Employees' Pension Trust. All employees are eligible to join the plan on January 1 or July 1 after attaining twenty and one-half years of age and being employed at least one year. Benefits depend solely on amounts contributed to the plan plus investment earnings. City contributions for and interest forfeited by employees who leave employment before becoming fully invested are first used to restore forfeited account balances for re-employed participants and any remaining amounts may be used to pay administrative expenses of the plan. If forfeitures still remain, they will reduce the employer contribution for the plan year in which the forfeiture occurred. Employees are fully vested after six years of service.

Contributions

The City contributes an amount equal to 7.50% of eligible employees' salaries for the Plan Year. The actual contributions to the plan for the year ended December 31, 2021, were \$67,312 for City employees and \$55,952 for Water and Sewer Department employees. City contributions for the current year are made in the following year. The plan's assets are in the custody of Regions/Institutional Trust Services, 400 West Capitol Avenue 7th Floor, Little Rock, AR 72201.

Investment of Assets

Assets will be invested at the direction of Thomas Marsh, Finance Director, and Sharla Derry, Recorder/Treasurer. Information regarding the plan may be obtained by contacting: Thomas Marsh or Sharla Derry, P.O. Drawer 1450, Greenwood, AR 72936.

CITY OF GREENWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 18: Sebastian County District Court – Greenwood District

The City of Greenwood is a member of the Sebastian County District Court – Greenwood District under Ark. Code Ann. § 16-17-905. In order to defray the expenses of operating the Court, the City of Greenwood contributes 10% of net fines and pays 10% of the Court salaries, as required by Ark. Code Ann. § 16-17-108. The City contributed \$44,642 in 2021.

NOTE 19: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The City was awarded \$1,950,400 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$1,950,400 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

NOTE 20: Proceeds from Sale of Assets

On July 12, 2021, the City approved to Resolution 121-13, approving the sale of two Street Department equipment items to Sebastian County for \$154,000.

NOTE 21: Subsequent Events

On July 14, 2022, the City entered into a contract with Goodwin & Goodwin for \$344,350 for Norwood street overlay reconstruction project.

On October 3, 2022, the City approved to purchase a building for a senior citizens center for \$825,000.

On November 10, 2022, the City entered into a contract with Crawford Construction Company for \$668,908 for a sidewalk project.

CITY OF GREENWOOD, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2021

Schedule 1

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND	DEBT SERVICE FUND	CUSTODIAL FUND	
	Advertising and Promotion Commission	American Rescue Plan Act	2020 Sales and Use Tax - Street Project Improvements	Sales and Use Tax Refunding and Street Project Improvements Bond - Series 2020	Payroll Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 107,021	\$ 975,206	\$ 4,501,338	\$ 554,530	\$ 76,251	\$ 6,214,346
Accounts receivable	20,520			38,586		59,106
TOTAL ASSETS	<u>\$ 127,541</u>	<u>\$ 975,206</u>	<u>\$ 4,501,338</u>	<u>\$ 593,116</u>	<u>\$ 76,251</u>	<u>\$ 6,273,452</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable					\$ 58,186	\$ 58,186
Settlements pending					18,065	18,065
Total Liabilities					<u>76,251</u>	<u>76,251</u>
Fund Balances:						
Restricted	<u>\$ 127,541</u>	<u>\$ 975,206</u>	<u>\$ 4,501,338</u>	<u>\$ 593,116</u>		<u>6,197,201</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 127,541</u>	<u>\$ 975,206</u>	<u>\$ 4,501,338</u>	<u>\$ 593,116</u>	<u>\$ 76,251</u>	<u>\$ 6,273,452</u>

CITY OF GREENWOOD, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		
	Advertising and Promotion Commission	American Rescue Plan Act	2020 Sales and Use Tax - Street Project Improvements	Sales and Use Tax - Police Department Building	Sales and Use Tax Refunding and Street Project Improvements Bond - Series 2020	Totals
REVENUES						
Federal aid		\$ 975,206				\$ 975,206
Sales taxes					\$ 440,111	440,111
Interest	\$ 53		\$ 1,305	\$ 1	132	1,491
Advertising and promotion taxes	107,651					107,651
TOTAL REVENUES	107,704	975,206	1,305	1	440,243	1,524,459
EXPENDITURES						
Current:						
General government	78,949					78,949
Highways and streets			500,000			500,000
Total Current	78,949		500,000			578,949
Debt Service:						
Bond principal					70,000	70,000
Bond interest and other charges					202,852	202,852
TOTAL EXPENDITURES	78,949		500,000		272,852	851,801
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,755	975,206	(498,695)	1	167,391	672,658
OTHER FINANCING SOURCES (USES)						
Transfers out				(15,016)		(15,016)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	28,755	975,206	(498,695)	(15,015)	167,391	657,642
FUND BALANCES - JANUARY 1	98,786		5,000,033	15,015	425,725	5,539,559
FUND BALANCES - DECEMBER 31	\$ 127,541	\$ 975,206	\$ 4,501,338	\$ 0	\$ 593,116	\$ 6,197,201

CITY OF GREENWOOD, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Advertising and Promotion Commission	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
2020 Sales and Use Tax - Street Project Improvements	Greenwood Ordinance no. 20-16 (October 14, 2020) authorized the issuance of sales and use tax refunding and improvement bonds, Series 2020 for the purpose of financing and refinancing the cost of capital improvements; pledging collections of .25% sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Sales and Use Tax - Police Department Building	Greenwood Ordinance no. 14-01 (February 3, 2014) authorized the issuance of sales and use tax bonds for the purpose of financing the costs of police facility improvements, pledging collections of .25% sales and use tax to pay principal and interest on the bonds.
Sales and Use Tax Refunding and Street Project Improvements Bond - Series 2020	Greenwood Ordinance no. 20-16 (October 14, 2020) authorized the issuance of sales and use tax refunding and improvement bonds, Series 2020 for the purpose of financing and refinancing the cost of capital improvements; pledging collections of .25% sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Payroll Fund	Established to facilitate payment of payroll expenditures and related tax liabilities.

CITY OF GREENWOOD, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2021
(Unaudited)

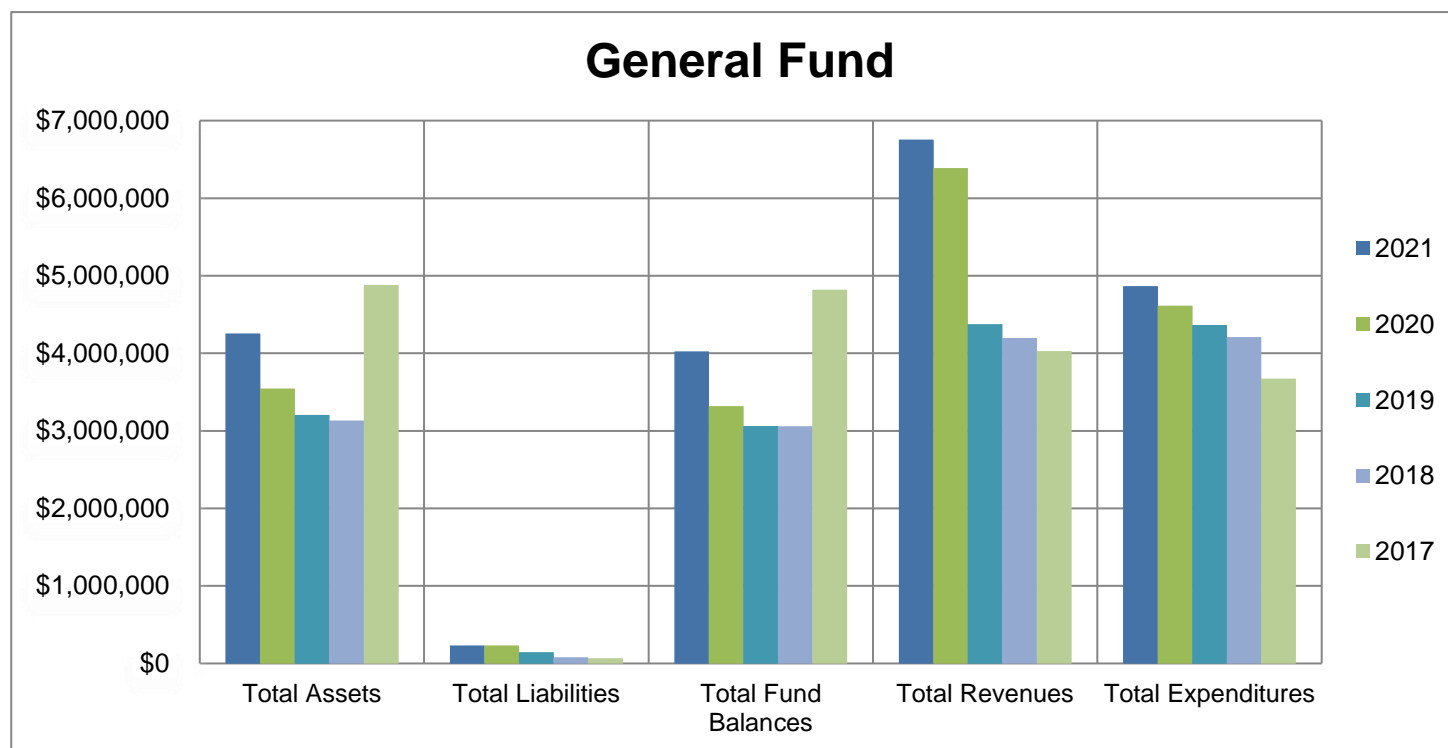
Schedule 3

	December 31, 2021
	<hr/>
Land	\$ 2,009,716
Buildings	6,250,536
Equipment	<hr/> 6,627,738
	<hr/>
Total	<u><u>\$ 14,887,990</u></u>

CITY OF GREENWOOD, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-1

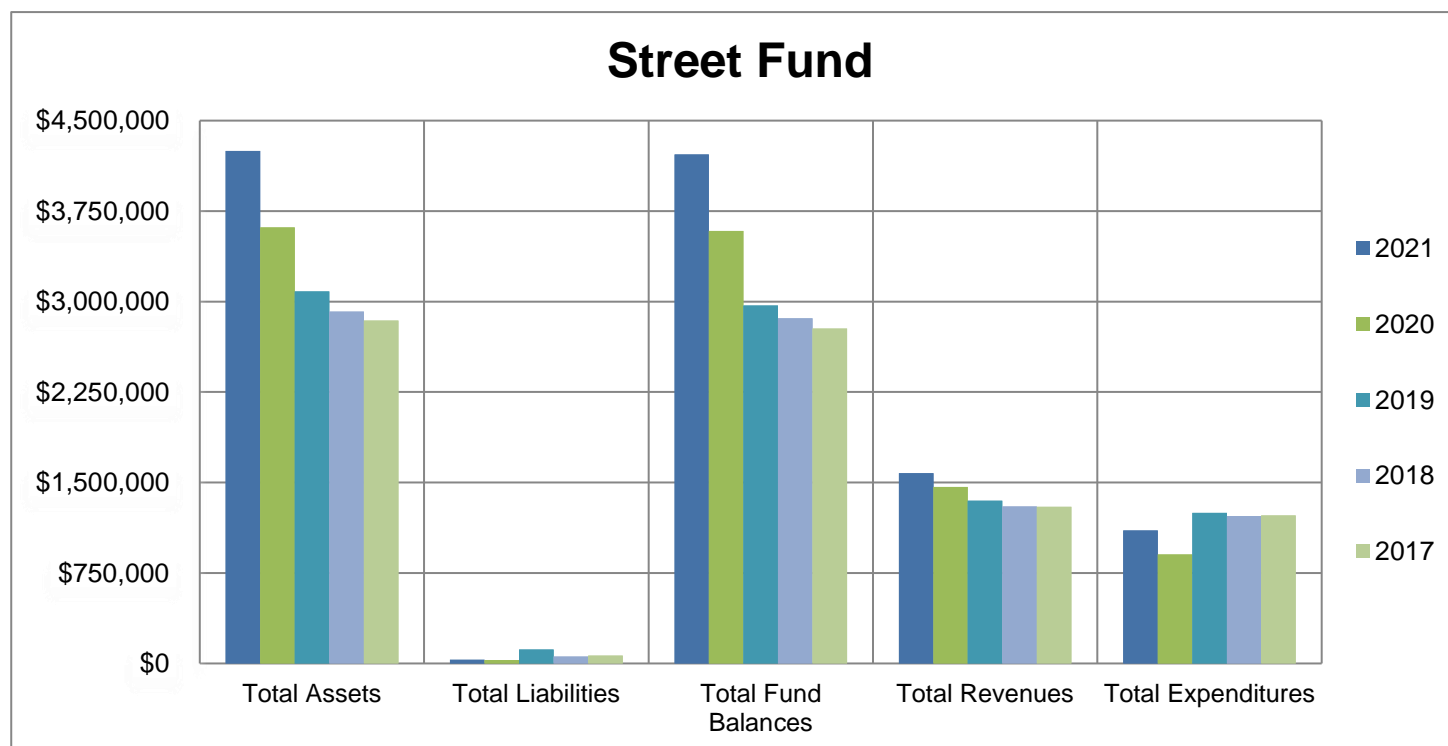
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 4,254,124	\$ 3,544,714	\$ 3,202,503	\$ 3,132,043	\$ 4,879,515
Total Liabilities	230,810	229,540	143,462	76,412	62,596
Total Fund Balances	4,023,314	3,315,174	3,059,041	3,055,631	4,816,919
Total Revenues	6,754,717	6,385,327	4,372,218	4,193,801	4,026,342
Total Expenditures	4,863,138	4,612,585	4,363,808	4,205,595	3,672,275
Total Other Financing Sources/Uses	(1,183,439)	(1,462,693)	(5,000)	(1,749,494)	448,284



CITY OF GREENWOOD, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-2

<u>Street</u>	2021	2020	2019	2018	2017
Total Assets	\$ 4,249,421	\$ 3,614,970	\$ 3,084,011	\$ 2,917,343	\$ 2,841,758
Total Liabilities	31,251	29,057	116,101	56,225	66,277
Total Fund Balances	4,218,170	3,585,913	2,967,910	2,861,118	2,775,481
Total Revenues	1,576,777	1,463,657	1,349,077	1,301,598	1,299,632
Total Expenditures	1,103,520	904,570	1,247,285	1,220,961	1,227,976
Total Other Financing Sources/Uses	159,000	5,000	5,000	5,000	



CITY OF GREENWOOD, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2021	2020	2019	2018	2017
Total Assets	\$ 6,273,452	\$ 5,826,326	\$ 723,695	\$ 571,166	\$ 596,035
Total Liabilities	76,251	286,767	264,587	107,614	126,451
Total Fund Balances	6,197,201	5,539,559	459,108	463,552	469,584
Total Revenues	1,524,459	502,691	415,906	465,650	472,032
Total Expenditures	851,801	660,619	420,350	471,682	480,937
Total Other Financing Sources/Uses	(15,016)	5,238,379			(173,786)

