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CITY OF HOLLANDALE, MISSISSIPPI

AUDIT REPORT
September 30, 2015

CITY OF HOLLANDALE, MISSISSIPPI

ANNUAL FINANCIAL REPORT
Year Ended September 30, 2015

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	7
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet- Governmental Funds.....	10
Reconciliation of the Balance Sheet of Governmental Funds	
to the Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Statement Activities.....	13
Statement of Net Position- Proprietary Funds.....	14
Statement of Revenues, Expenditures, and Changes in Net Position	
Proprietary Funds.....	16
Statement of Cash Flows - Proprietary Funds.....	17
Notes to the Financial Statements.....	18
Required Supplementary Information other than Management's Discussion and Analysis	
Budgetary Comparison Schedule	
General Fund.....	35
Proprietary Fund.....	36
Schedule of Investments - All Funds.....	37
Principal Officials.....	38
Schedule of Surety Bonds.....	39
Schedule of Federal, State and Local Awards.....	40
Additional Auditors' Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with Government Auditing Standards.....	41
Independent Auditors' Report on Compliance with State Laws and Regulations.....	43

INDEPENDENT AUDITORS' REPORT

To the City of Hollandale
City of Hollandale, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hollandale, Mississippi as of and for the year ended September 30, 2015, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit 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 of Hollandale, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

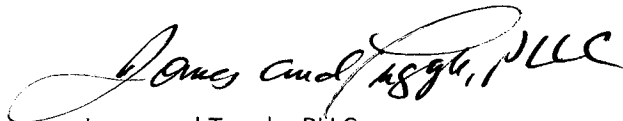
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 29–30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 of Hollandale, Mississippi basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Jones and Tuggle, PLLC.

Memphis, Tennessee
May 16, 2016

2015 MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hollandale financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. 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 performances.

FINANCIAL HIGHLIGHTS

- . The City's net assets increased by \$69,764
- . Total General Revenues were \$2,024,734
- . Total Business-type revenues (sales of water and sewer) \$481,459
- . Expenses for the City were \$2,359,602

OVERVIEW OF FINANCIAL STATEMENT

These statements consist of two types of financial statements:

Government-wide financial statements – These financial statements are designed to provide the reader with an overview of the City's finances, similar to what you'd find in a private business. The statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The state of new assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as revenues are received or expenditures are made; therefore, some of the expenses reported might reflect payments we've made during this fiscal year related to projects or activities from a prior fiscal year. Likewise, some of the revenues reported may reflect funding we've secured for activities or projects that we're contemplating for the future.

Governmental Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over monies that have been earmarked for specific activities of projects. The financial statements do not include any of the "business" type funds, which are our water and sewer fund. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. We currently have the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (2)

GOVERNMENT WIDE FINANCIAL ANALYSIS

The largest portion of the City's net assets can be found in fixed assets and investments less any encumbrance. The City uses these capital assets to provide services; therefore, these assets may not be available for future spending.

Below are a summary and a prior year comparison of the City's net assets:

	FYE 09/30/2015	FYE 09/30/2014
<i>Assets</i>		
Current assets	\$ 819,456	\$ 894,101
Capital assets, net	3,944,010	3,939,131
Total Assets	<u>4,763,466</u>	<u>4,833,231</u>
<i>Liabilities</i>		
Current Liabilities	463,474	1,951,882
Non-current liabilities	294,131	204,305
Total Liabilities	<u>757,605</u>	<u>2,156,187</u>
<i>Net Position</i>		
Invested in capital assets, net		
of related debt	3,944,010	3,939,131
Unreserved	18,570	18,575
Restricted	149,677	119,992
Committed	95,395	104,209
Unrestricted	(201,791)	(1,382,839)
Total Net Position	<u>4,005,861</u>	<u>2,799,068</u>
<i>Revenue</i>		
Taxes & Others	1,671,691	1,902,893
Charges for Services	571,511	602,422
Investment Income	1,023	1,042
Total Revenue	<u>2,244,225</u>	<u>2,506,357</u>
<i>Expenses</i>		
Primary Government	2,071,378	1,734,087
Business-type (Water & Sewer Fund)	544,776	625,515
Total Expenses	<u>2,616,154</u>	<u>2,359,603</u>

The City of Hollandale had a fair financial year for the period ending September 30, 2015. A city's function is not to produce a profit, but we must maintain a level of revenues in excess of expenditures in order to maintain the overall financial health and

MANAGEMENT’S DISCUSSION AND ANALYSIS – continued (3)

viability of the City. During this fiscal year we still rely on our citizens shopping first in the City of Hollandale because a percentage of our revenues come from sales taxes. This year we have seen a decrease in sales tax due to the economy and there was an increase in expenses due to the high cost of fuel and other economic issues.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The millage rate was increased to 71.00 mills. Due to past budget restraints and the present economy the Board of Alderman voted unanimously to approve the increase.

During the FY 2015 the City participated in several grant programs:

1. The 2011 CDBG Home Rehabilitation Project was award to the City to demolish and rebuild five homes. The total amount awarded is \$413,191.00. Due to legal issues, two of the designated homeowners were not eligible for the project. The total amount expended on the Home Rehab Project was \$297,387.00; \$115,794.00 was de-obligated and released back to the pass through grantor- Mississippi Development Authority. The City of Hollandale was privileged to administer a grant such as this to meet the needs of our citizens.
2. The City was awarded grant funds for the 2012 Community Development Block Grant - Sewer System Rehabilitation. This project rehabilitated the wastewater system, cleaned and televised the gravity sewer lines, manhole rehabilitation, pump rehabilitation and replacement, pump station rail system rehabilitation and point repairs. The project was awarded was \$450,000.00. Upon completion the total project cost was \$436,952.67; only \$13,047.32 was de-obligated.
3. The Hollandale Municipal Airport was awarded a grant for land acquisition to the south and north of the existing airport property which includes 28.5 acres; a sewer treatment unit was installed for the terminal building and the rotating beacon was rehabilitated. Total cost for this project was \$275,939.00; the Federal Aviation Administration funded \$248,345.00; Mississippi Department of Transportation-state aid paid 5% matching funds in the amount of \$13,797.00; the city matched 5% as well in the amount of \$13,797.00.
4. The Mississippi State Department of Health entered into a sub-grant agreement with Hollandale. The purpose of this grant is to partner with Hollandale to create a healthy environment through policy and environmental change which support increases to physical activity, healthy foods, and reduced exposure to tobacco smoke for the purpose of reducing the prevalence of heart disease and stroke. The Mayor’s Health Council was organized with the above facts in mind to help create a healthier hometown for its citizens. \$4250.00 was allocated for this intervention.

Changes in assets and liabilities can be attributed to the adjustments in the fixed assets

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued (4)

to comply with GASB 34 and 54. During FY 2015 the Water and Sewer rates increased by 9%. The garbage rates remained the same. However, the Board of Aldermen will continue to conduct rate studies annually to see if there is a need to increase the water, sewer and garbage fees.

As with other municipalities and county government, we endeavor to provide reliable health and workmen's compensation insurance coverage for our employees as well as a solid property and casualty insurance program to protect the assets of the City of Hollandale. During FYE 2015 we've experienced modest premium increases for some of these coverage items; however, we've been able to maintain solid and affordable coverage.

BUDGETARY HIGHLIGHTS

The City's fiscal operating budget for the General Fund and Water and Sewer Fund are presented, and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The City endeavors to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, occasionally it is necessary for the City to amend its budget from time to time during the fiscal year. For the FY 2015, the City of Hollandale made no required revision.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS:

Currently, there are no pending litigations for the City of Hollandale.

CONTACT:

If you have any questions concerning this report, please contact the Mayor's Office, City of Hollandale, and P. O. Box 395, Hollandale, MS 38748. Telephone: 662-827-2241.

Email: hollandale@bbimail.net

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
For the Year Ended SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 175,781	\$ 21,379	\$ 197,160
Investments (cash equivalents)	100,000	-	100,000
Receivables (net of allowance)			
Utility bills	-	643	643
Property taxes	137,587	-	137,587
Accrued Interest	63	214	277
Garbage fees	609	-	609
Miscellaneous	-	2,284	2,284
Due from other funds	67,068	50,025	117,093
Total Current Assets	481,108	74,545	555,653
Restricted Assets			
O & M Escrow	-	89,910	89,910
Savings	215,032	11,506	226,538
FHA Fund	-	22,000	22,000
Total Restricted Assets	215,032	123,416	338,448
Fixed Assets (net of accumulated depreciation) (Note 3)	1,988,325	1,950,806	3,939,131
TOTAL ASSETS	\$ 2,684,465	\$ 2,148,767	\$ 4,833,232
DEFERRED OUTFLOWS OF RESOURCES:			
Total Deferred Outflows of Resources	122,922	38,818	161,740
LIABILITIES AND FUND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 81,971	\$ 17,578	\$ 99,549
Current Portion of Capital Lease Payment (Note 4)	41,875	-	41,875
Current Portion of Long-Term Debt (Note 4)	-	11,567	11,567
Payroll taxes payable	584	-	584
Compensated absences	56,278	-	56,278
Due To Other Funds	154,902	37,938	192,840
Net pension liability	1,123,823	354,892	1,478,715
Payables From Restricted Assets:			
Customer Deposits	-	70,474	70,474
Total Current Liabilities	1,459,433	492,449	1,951,882
Non-Current Liabilities			
Capital Lease Payment	22,793	-	22,793
General Obligation Bond (Note 4)	-	181,512	181,512
Total Non-Current Liabilities	22,793	181,512	204,305
TOTAL LIABILITIES	1,482,226	673,961	2,156,187
DEFERRED INFLOWS OF RESOURCES:			
Total Deferred Inflows of Resources	30,184	9,532	39,716

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF NET POSITION (Continued)
For the Year Ended SEPTEMBER 30, 2015

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
NET POSITION			
Investment In General Fixed Assets	\$ 1,988,325	1,950,806	\$ 3,939,131
Retained Earnings:			
Unreserved	18,575	-	18,575
Restricted for:			
FHA Bond Reserve/Saving	-	33,506	33,506
Customers deposits	-	70,474	70,474
Airport Fund	1,074	-	1,074
First Time Homebuyers	1,815	-	1,815
Home Investment/Improvement Grants	9,832	-	9,832
Sewer Pumping Station Rehab	15	-	15
CDBG	3,276	-	3,276
Committed:			
Park and Recreation	2,804	-	2,804
Fire Fund	101,405	-	101,405
Unrestricted	<u>(832,145)</u>	<u>(550,694)</u>	<u>(1,382,839)</u>
Total Net Position	<u>1,294,976</u>	<u>1,504,092</u>	<u>2,799,068</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,807,386</u>	<u>\$ 2,187,585</u>	<u>\$ 4,994,971</u>

See Independent Auditors' Report and Notes to the Financial Statements.

GENERAL GOVERNMENT
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$1,331,974	\$ 185,538	\$ -	\$ -	\$ (1,146,436)	\$ -	(\$1,146,436)
Airport Grant	39,940	-	262,143	-	222,203	-	\$222,203
Sewer Grant	39,621	-	202,419	-	162,798	-	162,798.00
Home Investment	64,075	-	64,075	-	-	-	-
Fire Grant	-	-	-	-	-	-	-
Storm Drainage Grant	-	-	-	-	-	-	-
Capital outlay	258,477	-	-	-	(258,477)	-	\$ (258,477)
Total governmental activities	1,734,087	185,538	528,637	-	(1,019,912)	-	(1,019,912)
Business-type Activities							
Water Fund	625,515	416,884	-	-	-	(208,631)	(208,631)
Total business activities	625,515	416,884	-	-	-	(208,631)	(208,631)
Total Primary Government	<u>\$2,359,602</u>	<u>\$ 602,422</u>	<u>\$ 528,637</u>	<u>-</u>	<u>(1,019,912)</u>	<u>(208,631)</u>	<u>(1,228,543)</u>
General revenue:							
Taxes					1,082,357	-	1,082,357
License and Permits					7,981	-	7,981
Fines and Forfeits					29,924	-	29,924
Interest Income					878	164	1,042
Miscellaneous					189,419	64,575	253,994
Total General Revenues					<u>1,310,559</u>	<u>64,739</u>	<u>1,375,298</u>
Change in Net Position					290,647	(143,892)	146,755
Prior period adjustments (Note 6)					(1,070,051)	(283,498)	(1,353,549)
Transfer					(162,798)	162,798	-
Net Position at Beginning of year					<u>2,237,178</u>	<u>1,768,684</u>	<u>4,005,862</u>
Net Position at End of Year					<u>\$ 1,294,976</u>	<u>\$ 1,504,092</u>	<u>\$ 2,799,068</u>

See Independent Auditors' Report and Notes to the Financial Statements.

BALANCE SHEET- GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	General Fund	Non-Major Governmental Funds	Total
<u>ASSETS</u>			
<u>Current assets</u>			
Cash	\$ 132,046	\$ 43,735	\$ 175,781
Investments (Cash Equivalents)	100,000	-	100,000
Receivables (Net of Allowance for uncollectible)			
Property taxes	137,587	-	137,587
Accrued interest	63	-	63
Garbage fees	609	-	609
Due from other funds	65,648	1,420	67,068
Total Current Assets	435,953	45,155	481,108
Restricted Assets			
Savings	-	215,032	215,032
Total Restricted Assets	-	215,032	215,032
TOTAL ASSETS	<u>\$ 435,953</u>	<u>\$ 260,187</u>	<u>\$ 696,140</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 81,971	\$ -	\$ 81,971
Payroll taxes payable	-	584	584
Compensated absences	56,278	-	56,278
Due To Other Funds	154,902	12,809	167,711
Total Current Liabilities	293,151	13,393	306,544
Non-Current Liabilities			
General Obligation Bond (Note 4)	-	-	-
Total Non-Current Liabilities	-	-	-
TOTAL LIABILITIES	293,151	13,393	306,544
<u>FUND BALANCES</u>			
Retained Earnings			
Unreserved	-	18,575	18,575
Restricted			
Airport Fund	-	1,074	1,074
First Time Homebuyers	-	1,815	1,815
Home Investment/Improvement Grants	-	9,832	9,832
Sewer Pumping Station Rehab		15	15
CDBG	-	3,276	3,276
Committed			
Park and Recreation	-	2,804	2,804
Fire Fund	-	101,405	101,405
Unassigned	142,802	107,998	250,800
Total Fund Balances	142,802	246,794	389,596
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 435,953</u>	<u>\$ 260,187</u>	<u>\$ 696,140</u>

See Independent Auditors' Report and Notes to the Financial Statements.

*RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
For the Year Ended September 30, 2015*

Total Fund Balance - Governmental Funds	\$ 389,596
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	656,349
Building and improvements	2,433,195
Equipment	1,688,749
Automobiles	118,378
Infrastructure	264,640
Accumulated depreciation	<u>(3,160,178)</u> 2,001,133
Deferred outflows of resources - deferred outflows - pension	122,922
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(1,123,823)
Capital Lease payment	(64,668)
Deferred inflow of resources - deferred inflows - pension	<u>(30,184)</u>
Net Position of Governmental Activities	<u><u>\$1,294,976</u></u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	General Fund	Non Major Governmental Funds	Total
REVENUES:			
Taxes	\$ 1,082,357	\$ -	\$ 1,082,357
License and Permits	7,981	-	7,981
Intergovernmental	-	514,840	514,840
Charges for Services	185,538	-	185,538
Fines and Forfeits	29,924	-	29,924
Interest Income	504	374	878
Miscellaneous	165,160	38,056	203,216
Total Revenues	1,471,464	553,270	2,024,734
EXPENDITURES:			
Personnel	625,893	-	625,893
Supplies	545,761	-	545,761
Engineering Fees	-	17,472	17,472
Sewer Improvement Charges	-	-	-
Other Services and Charges	115,552	104,015	219,567
Miscellaneous	44,768	22,150	66,918
Total Expenditures	1,331,974	143,637	1,475,611
Excess Of Revenues Over (Under)			
Expenditures	139,490	409,633	549,123
Fund Balances -Beginning of year, as restated	39,561	167,731	207,292
Transfer		(162,798)	(162,798)
Fund Balances - End of Year	\$ 179,051	\$ 414,566	\$ 593,617

See Independent Auditors' Report and Notes to the Financial Statements.

*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, 2015

Net Change in Fund Balance - Total Governmental Funds	\$ 549,123
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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 outlays as expenses. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Depreciation

(258,476)

Change in Net Position of Governmental Activities

<u>\$ 290,647</u>

STATEMENT OF NET POSITION- PROPRIETARY FUND
For the Year Ended September 30, 2015

ASSETS	
Current Assets	
Cash	\$ 21,379
Accounts Receivable (net allowance)	2,927
Accrued Interest Receivable	214
Due from General Fund	50,025
Total Current Assets	<u>74,545</u>
Restricted Assets	
FHA Funds	22,000
O & M Escrow	89,910
Saving	11,506
Total Restricted Assets	<u>123,416</u>
Fixed Assets	
Property, Plant and Equipment	4,398,352
Less: Accumulated Depreciation	<u>(2,447,546)</u>
Net Fixed Assets	<u>1,950,806</u>
TOTAL ASSETS	<u>\$ 2,148,767</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Total Deferred Outflows of Resources	<u>\$ 38,818</u>
LIABILITIES, CONTRIBUTED CAPITAL AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 17,578
Current Portion of Long-Term Debt (Note 4)	11,567
Due To Other Funds	37,938
Net pension liability	354,892
Customer Deposits	70,474
Total Current Liabilities	<u>492,449</u>
Long-Term Liabilities	
General Obligation Bond (Note 4)	<u>181,512</u>
Total Long-Term Liabilities	<u>181,512</u>
Total Liabilities	<u>673,961</u>
DEFERRED INFLOWS OF RESOURCES:	
Total Deferred Inflows of Resources	<u>9,532</u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF NET POSITION- PROPRIETARY FUND (Continued)
For the Year Ended September 30, 2015

Contributed Capital and Net Position	
Investment in general fixed assets	1,950,806
Restricted fund balance	103,980
Net Position	<u>(550,694)</u>
Total Contributed Capital and Net Position	<u>1,504,092</u>
TOTAL LIABILITIES, CONTRIBUTED CAPITAL AND NET POSITION	<u>\$ 2,178,053</u>

See Independent Auditors' Report and Notes to the Financial Statements.

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITIONS-
 PROPRIETARY FUND
 For The Year Ended September 30, 2015*

Operating Revenues:	
Water and Sewer Fees	\$ 416,575
Tank Repair	44,812
Damages	13,858
Other Charges	<u>6,214</u>
Total Operating Revenues	481,459
Operating Expenses:	
Personnel Costs	173,385
Materials and Supplies	248,860
Other Expenses	52,877
Depreciation Expense	<u>126,116</u>
Total Operating Expenses	<u>601,238</u>
Net Operating Income	(119,779)
Non-Operating Revenues (Expenses)	
Interest Income	164
Interest Expense	<u>(24,277)</u>
Total Non-Operating Revenues (Expenses)	<u>(24,113)</u>
Net Income/(Loss)	(143,892)
Net Position - Beginning of Year	1,768,684
Prior Period Adjustment	(283,498)
Transfer	<u>162,798</u>
Net Position - End of Year	<u><u>\$ 1,504,092</u></u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income	\$ (119,779)
Adjustments To Reconcile Operating Income	
To Net Cash Provided By Operating Activities:	
Depreciation	126,116
Transfer from general	162,798
Changes In Assets and Liabilities:	
Decrease in restricted cash	(32,724)
Decrease in accounts receivable	49,911
Increase in due from other funds	50,000
Decrease in accounts payable	813
Decrease in customer deposits	(1,576)
Decrease in due to other funds	<u>(41,782)</u>
Net Cash Provided By Operating Activities	193,777
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	<u>(162,798)</u>
Net Cash Used By Investing Activities	(162,798)
CASH FLOWS FROM CAPITAL AND RELATED	
FINANCING ACTIVITIES:	
Interest paid on long-term debt	(24,277)
Increase in note payable	4,895
Interest Income	<u>164</u>
Net Cash Provided By Capital and Related Financing Activities	<u>(19,218)</u>
Net Change In Cash and Cash Equivalents	11,761
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>9,618</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u><u>\$ 21,379</u></u>

See Independent Auditors' Report and Notes to the Financial Statements.

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended September 30, 2015**Note 1 - Summary of Significant Accounting Policies*

The City of Hollandale operates under an alderman—mayor form of government. The accounting policies of the City of Hollandale conform to generally accepted accounting principles as applicable to governments except as discussed in Note 6. The following is a summary of the more significant policies:

- A. Reporting Entity - The financial statements of the City consist of all the funds of the City.
- B. Fund Accounting - The accounts of the City are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.
- C. Fixed Assets and Long Term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. All Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has established a capitalization threshold of \$500. All purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related asset. Property, plant, and equipment of the primary government, as well as the proprietary fund, are depreciated using the straight-line method over the following estimated useful lives are as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Fixed Assets and Long Term Liabilities (Continued) -

Infrastructure	50 years
Building	40 years
Distribution Systems	25 years
Improvements	20 years
Heavy Equipment	10 years
Other Equipment	5 years
Vehicles	5 years

Long-term liabilities of the Governmental and Proprietary Funds are accounted for in the funds themselves. Additional information concerning fixed assets and long—term liabilities are provided in Notes 2 and 3.

- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Major revenues susceptible to accrual include sales tax and property taxes levied and due in the current year even though a portion of the taxes may be collected in the subsequent year. Penalty on sales taxes and interest on delinquent taxes are considered measurable when paid and are recognized as revenue at that time. Intergovernmental revenues received as reimbursement for specific purposes or projects are recognized in the period the expenditures are incurred. Intergovernmental revenue received but not yet earned

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued) - is recorded as deferred revenue. Property and sales taxes received prior to the time they are due are also recorded as deferred revenue. In subsequent periods, when the City has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Revenue from land sale contracts receivable is deferred until the receivables are collected. Expenditures are recorded when the fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The water fund which accounts for the activities associated with operating water and sewer system for the City 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 water and sewer enterprise funds are charges to customers for services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. FASB Application

Proprietary Fund Types: These fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

Enterprise Funds: These funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) to provide certain goods and services to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes or monitoring capital maintenance, accountability, or other purposes. The City accounts for its water and sewer in the Water and Sewer Fund which meets the criteria of a major fund and has been reported as such in the proprietary fund statements.

- F. Total Columns - Total columns on the financial statements are captioned Memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.
- G. Bank Deposits and Investments - Bank deposits and investments constituting short term certificates of deposit are entirely insured or collateralized with securities held by the bank or by the bank's agent in the bank's name as of September 30, 2015 and during the year then ended. Investments are stated at cost - a schedule of investment is included as part of the supplementary information of this report.
- H. Budget - Governmental fund receipts are budgeted on the cash basis. Expenditures are budgeted on the modified cash basis of accounting. The budget for all proprietary type funds is adopted on the accrual basis of accounting. This is consistent with the applicable laws of the State of Mississippi for municipalities.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

- H. Budget (continued) - Prior to the August board meeting, the City Clerk submits to the Mayor and Board a proposed operating budget for the fiscal year commencing the following October 1. Public hearings are conducted at the City Hall for citizens of the City to make comments on the proposed revenue sharing expenditures. The budget is formally adopted before September 15. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.
- I. Statement of Cash Flows - For purposes of the Statement of Cash Flows, cash equivalents are all short term investments (including restricted assets) that are highly liquid, readily convertible to known amounts of cash, and have a maturity date of no longer than three months when purchased.
- J. Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- K. Fund equity- Fund Balance.

Fund equity is generally the difference between assets and liabilities. Government-wide and proprietary funds statements report fund equity as retained earnings. Fund equity of governmental fund statements are reported as fund balance.

Government-wide and proprietary funds' net positions are classified into three components. "Investment in capital assets, net of related debt" consists of capital assets of accumulated depreciation and reduced by outstanding debt used to finance purchase or construction of those assets. "Restricted" net positions are noncapital net positions that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City. "Unrestricted net positions are remaining net positions that do not meet the definition of the other two categories.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year 2015. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

K. Fund equity – Fund Balance (continued)

The statement provides that funds balance be reported and classified in the following manner based on the relative strength of the constraints that control how specific amounts can be spent:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (e.g. inventories, prepaid) or (b) legally or contractually required to remain intact (e.g. endowments).

Restricted fund balance includes amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation, (e.g. State and Federal Grants Funds). Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

Committed funds balance includes amounts formally constrained for a specific purpose by a government using its highest level of decision making authority. The commitment of these funds can only be changed by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance includes amounts a government intends to use for a particular purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. With the exception of the General Fund, this is the residual fund balance of the classification of all government funds with positive balances.

Unassigned fund balance represents general fund amounts not classified elsewhere.

Note 2 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The taxes are levied as of January 1 and are due on or before February 1.

The millage rate for the year was 61.00 mills, allocated as follows:

General Fund	67.50 mills
Fire Department Fund	<u>3.50</u> mills
TOTAL	<u>71.00</u> mills

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 3 - Fixed Assets

A summary of changes in general fixed assets follows:

Governmental activities:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Non Depreciable assets:				
Land	\$ 420,349	\$ 236,000	\$ -	\$ 656,349
Depreciable Assets:				
Building	882,875	-	-	882,875
Improvements	1,550,320	-	-	1,550,320
Furniture and Equipment	1,665,981	-	-	1,665,981
Automobiles	136,977	-	31,407	105,570
Mobile Equipment	22,768	-	-	22,768
Infrastructure	264,640	-	-	264,640
Total assets	<u>4,943,910</u>	<u>236,000</u>	<u>31,407</u>	<u>5,148,503</u>
Less accumulated depreciation for				
Building and Improvements	1,370,493	60,829	-	1,431,322
Furniture and Equipment	1,307,196	166,768	-	1,473,964
Mobile Equipment	22,768	-	-	22,768
Automobiles	6,901	27,395	12,619	21,677
Infrastructure	206,666	3,781	-	210,447
	<u>2,914,024</u>	<u>258,773</u>	<u>12,619</u>	<u>3,160,178</u>
Net Capital Assets	<u>\$ 2,029,886</u>	<u>\$ (22,773)</u>	<u>\$ 18,788</u>	<u>\$1,988,325</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 3 - Fixed Assets (Continued)

A summary of changes in general fixed assets follows:

Business-type activities:

Non Depreciable Assets:

Land	\$ 7,500	\$ -	\$ -	\$ 7,500
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Depreciable Asset

Building and Improvements	2,333,708	-	-	2,333,708
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Furniture and Equipment	409,857	877	-	410,734
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Infrastructure	1,450,574	-	-	1,450,574
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Automobile	24,000	12,350	-	36,350
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Mobile Radios	9,915	-	-	9,915
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Total capital assets	<u>4,235,554</u>	<u>13,227</u>	<u>-</u>	<u>4,248,781</u>
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Less accumulated depreciation for:				-
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Building and Improvements	1,572,427	58,445	-	1,630,872
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Furniture and Equipment	319,939	40,986	-	360,925
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Infrastructure	410,773	21,885	-	432,658
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Automobile	8,375	4,800	-	13,175
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Mobile Radios	9,915	-	-	9,915
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Total accumulated depreciation	<u>2,321,429</u>	<u>126,116</u>	<u>-</u>	<u>2,447,545</u>
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Net Capital Assets	<u>\$ 1,914,125</u>	<u>\$ (112,889)</u>	<u>\$ -</u>	<u>\$1,801,236</u>
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 4 - Changes in Long-Term Debt

General Fund:

LEASING ARRANGEMENTS

The Government leases 4 Ford Taurus Police Cars under a noncancelable lease that is classified as a capital lease that expires in 2017.

The total capital lease equals \$83,750 at September 30, 2015.

Future minimum lease payments under capital leases are as follows:

Year Ending	
September 30	
2016	41,875
2017	<u>22,792</u>
Total minimum lease payments	64,667
Less executor costs and related profit	<u>-</u>
Net minimum lease payments	64,667
Less amount representing interest	<u>7,765</u>
Present value of minimum lease payments	<u>\$ 56,902</u>

Proprietary Fund:

General Obligation Bond:

City of Hollandale has an unsecured obligation to Mississippi Development Authority bearing interest at 4.50%. The loan is payable in monthly installments of \$642, including interest. Principal and interest payments for the years following September 30, 2015, are as follows:

	Principal	Interest
2016	3,361	4,343
2017	3,516	4,188
2018	3,677	4,027
2019	3,846	3,858
2020	4,023	3,681
2021 to 2025	23,062	15,458
2026 to 2030	28,869	9,651
2031 to 2035	<u>27,713</u>	<u>2,569</u>
	<u>\$ 98,067</u>	<u>\$ 47,775</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 4 - Changes in Long-Term Debt (continued)

Proprietary Fund: (Continued)

General Obligation Bond:

City of Hollandale has an unsecured obligation to Mississippi Development Authority bearing interest at 4.50%. The loan is payable in monthly installments of \$621.00, including interest. Principal and interest payments for the years following September 30, 2015, are as follows:

	Principal	Interest
2016	3,232	4,220
2017	3,381	4,071
2018	3,536	3,916
2019	3,698	3,754
2020	3,868	3,584
2021 to 2025	22,176	15,084
2026 to 2030	27,759	9,501
2031 to 2035	27,362	2,648
	<u>\$ 95,012</u>	<u>\$ 46,778</u>

Note 5 - Defined Pension Plan

(1) Plan Description

The Public Employees' Retirement System of Mississippi (PERS or the System) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. The System administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

For the cost-sharing plan 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 2.00% 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 2.50% 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

*NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)*

Note 5 - Defined Pension Plan (Continued)

employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

Plan provisions and the 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. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

(2) Basis of Presentation

The Schedule of Employer Allocations and Schedule of Collective Pension Amounts (the Schedules) present amounts that are elements of the financial statements of the System or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the System or its participating employers. The Schedules are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Such preparation requires management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ.

(3) Employer Allocations

GASB Statement No.68, Accounting and Financial Reporting for Pensions, requires participating

employers to recognize their proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. These Schedules are prepared to provide employers with their calculated proportionate share. Contributions from the employers are recognized when legally due, based on statutory

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 5 - Defined Pension Plan (Continued)

requirements. The employer allocation percentages presented in the Schedule of Employer Allocations are based on the ratio of each employer's actual contribution to the System's total actual contributions for the fiscal year ended June 30, 2015.

The current year employer contributions used in the Schedule of Employer Allocations for 2015 are a component of total employer contributions presented in the Systems audited financial statements. The reconciliation of employer contributions is as follows for the year ended June 30, 2015:

Total current year employer contributions per Schedule of Employer Allocations	\$ 94,125
Timing differences	173
Fees from Optional Retirement Plan *	884
Miscellaneous	140
Total employer contributions per audited financial statements	<u>\$ 95,322</u>

* Optional Retirement Plan contributes administrative fees of 2.60% of covered wages.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2015 were as follows:

Total pension liability	\$3,861,276
Plan fiduciary net position	<u>2,382,561</u>
Employer's net pension liability	<u>\$1,478,715</u>

(a) Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, 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 2016, with males rates set forward one year.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 5 - Defined Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Broad	34.00%	5.20%
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00%</u>	

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that 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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 5 - Defined Pension Plan (Continued)

applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plans net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts in thousands):

	1% decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ 1,949,082	\$ 1,478,715	\$ 1,088,398

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 5 - Defined Pension Plan (Continued)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at June 30, 2014	\$ 3,540,882	\$ 2,379,745	\$ 1,161,137
Changes for the year:			
Service cost	64,439	-	64,439
Interest	274,322	-	274,322
Different between actual and expected expense	31,123	-	31,123
Change in assumptions	174,219	-	174,219
Contribution - employer	-	95,323	(95,323)
Contribution - employee	-	53,370	(53,370)
Net investment income		79,175	(79,175)
Benefit payments, including refunds of employee contributions	(223,710)	(223,710)	-
Administrative expense	-	(1,294)	1,294
Other changes	-	(48)	48
Net Changes	3,861,275	2,382,561	1,478,714
Balance at June 30, 2015	\$ 7,402,157	\$ 4,762,306	\$ 2,639,851

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. In 2015 and later, 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,

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 5 - Defined Pension Plan (Continued)

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. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years. The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2015:

The table below provides a summary of the collective deferred outflows and inflows as of June 30, 2015 (measurement date):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 34,354	\$ -
Changes in assumptions	127,386	-
Net difference between projected and actual earnings on plan investments	-	(39,716)
Employer contribution subsequent to the measurement date	-	-
Total	<u>\$ 161,740</u>	<u>\$ (39,716)</u>

The collective deferred outflows of resources and deferred inflows of resources reported in the table above will be amortized in the collective proportionate share of pension expense as follows:

Year Ended June 30,	
2016	\$ 41,267
2017	39,833
2018	19,295
2019	<u>21,630</u>
Total	<u>\$ 122,025</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 6 – Prior Period Adjustment

The net assets of the general fund were reduced to write-off a police vehicle that was crashed in the amount of \$19,083 and \$18,882 to write-off uncollectible do from other funds. The net position of the proprietary fund has a net increase of \$42,108 to remove uncollectable payable of \$50,220 and to increase the note payable by \$8,112.

Note 7 - Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000. As of September 30, 2015 the City had unsecured funds in the amount of \$385,608. The State of Mississippi Treasury Department oversees the collateralization process for all institutions approved as a public depository in the Statewide Public Funds Collateral Program. On a daily basis, the Treasury monitors collateralization requirements maintained for all of the institutions holding public funds. By using this method, we can provide a better level of assurance to our public entities that their funds are properly safeguarded.

Note 8 - Compensated Absences

The City recognizes a liability for the amount of accrued vacation and vested sick leave. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. Unused sick leave is vested at 25% after five years of employment, and an additional 25% is vested after ten years. Vested sick leave may only be received in cash by the employee upon termination of employment. The obligation of accumulated unpaid vacation and vested sick leave amounts to \$56,278 at September 30, 2015 for the Primary Government.

Note 9 – Subsequent Events

Management has evaluated events and transaction subsequent to the balance sheet date through the date of the auditors' report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management did not identify any items that should be disclosed.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
(Continued)

Note 10 – Change in Accounting Principles

During the year ended September 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pension* PERS Pension Plan and for the portion attributable to the business-type activities. This resulted in a direct decrease to net asset of \$1,031,086 for the general fund and \$325,606 for the business-type activities. The net assets of the general fund were also reduced to write-off a police vehicle that was crashed in the amount of \$19,083 and \$18,882 to write-off uncollectible do from other funds.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON**GENERAL FUND***For the Year Ended September 30, 2015*

	Budgeted Amount			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes	\$ 819,000	\$ 819,000	\$ 1,082,357	\$ 263,357
License and Permits	5,000	5,000	7,981	2,981
Intergovernmental	4,000	4,000	514,840	510,840
Charges for Services	185,000	185,000	185,538	538
Fines and Forfeits	37,000	37,000	29,924	(7,076)
Interest Income	1,000	1,000	878	(122)
Miscellaneous	143,000	143,000	203,216	60,216
TOTAL REVENUES	1,194,000	1,194,000	2,024,734	830,734
<u>EXPENDITURES</u>				
General Government	375,000	375,000	707,163	(332,163)
Public Safety	645,000	645,000	555,749	89,251
Public Works	448,000	448,000	471,031	(23,031)
Culture and Recreation	16,000	16,000	144	15,856
TOTAL EXPENDITURES	1,484,000	1,484,000	1,734,087	(250,087)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(290,000)</u>	<u>(290,000)</u>	290,647	<u>580,647</u>
NET POSITION - BEGINNING OF YEAR RESTATED			2,237,178	
PRIOR PERIOD ADJUSTMENT			(1,070,051)	
Transfer			<u>(162,798)</u>	
NET POSITION - END OF YEAR			<u>\$ 1,294,976</u>	

See Independent Auditors' Report and Notes to the Financial Statements.

BUDGETARY COMPARISON
PROPRIETARY FUND
For the Year Ended September 30, 2015

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
Water and Sewer Fees	\$ 400,000	\$ 400,000	\$ 416,575	\$ 16,575
Late Charges and Connection Fees	18,800	18,800	64,884	46,084
Total Operating Revenues	418,800	418,800	481,459	62,659
EXPENDITURES				
Personnel Costs	170,000	170,000	173,385	(3,385)
Materials and Supplies	237,000	237,000	248,860	(11,860)
Other Expenses	97,500	97,500	68,033	29,467
Capital Outlay	97,500	97,500	-	97,500
Depreciation Expense	-	-	126,116	(126,116)
TOTAL EXPENDITURES	602,000	602,000	616,394	(14,394)
NET OPERATING INCOME	(183,200)	(183,200)	(134,935)	48,265
NON-OPERATING REVENUES (EXPENSES)				
INTEREST INCOME	200	200	164	(36)
INTEREST EXPENSE	-	-	(9,121)	(9,121)
TOTAL NONOPERATING REVENUES	200	200	(8,957)	(9,157.00)
NET INCOME(LOSS)	<u>\$ (183,000)</u>	<u>\$ (183,000)</u>	\$ (143,892)	<u>\$ 39,108</u>
FUND BALANCES - BEGINNING OF YEAR			1,768,684	
Transfer			162,798	
Prior Period Adjustment			(283,498)	
FUND BALANCES - END OF YEAR			<u>\$ 1,504,092</u>	

See Independent Auditors' Report and Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS – ALL FUNDS
For the Year Ended September 30, 2015

GENERAL FUND:

Certificate of Deposit	\$ 100,000
Silver Savings	<u>215,032</u>
Total General Fund	315,032

WATER AND SEWER FUND:

O & M Escrow	89,910
Saving	11,506
Guaranty Bank and TRust-FHA Fund	<u>22,000</u>
Total Water and Sewer Fund	<u>123,416</u>

TOTAL INVESTMENTS	<u><u>\$ 438,448</u></u>
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*PRINCIPAL OFFICIALS**For the Year Ended September 30, 2015*

<u>Name</u>	<u>Title and Position</u>	<u>Years in Town Government</u>
Charles Morrow	Mayor	1
Janice Johnson-Ford	Vice Mayor	14
Josh Bogen	City Attorney	26
Helen Johnson	City Clerk	14
Jeanette Bowdre	Deputy Clerk	28
Jake Williams	Chief of Police	2
Carl Dorsey	Alderman	10
Robert Swint	Alderman	10
Brian Ballinger	Alderman	6
Ronnie Williams	Alderman	10

*SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For the Year Ended September 30, 2015*

Name and Position	Surety Company	Surety Amount
Charles Morrow, Mayor	Mississippi Municipal Bond Program	\$ 50,000
Janice Johnson-Ford, Vice Mayor	Mississippi Municipal Bond Program	50,000
Helen Johnson, City Clerk	Travelers Casualty and Surety Company of America	50,000
Jeannette Bowdre, Deputy Clerk	Travelers Casualty and Surety Company of America	12,500
Erma Atkins, Deputy Clerk	Travelers Casualty and Surety Company of America	10,000
Ronyetta McGee, Deputy Clerk	Travelers Casualty and Surety Company of America	10,000
Chief Of Police	Travelers Casualty and Surety Company of America	50,000
Alderman	Mississippi Municipal Bond Program	50,000
Alderman	Mississippi Municipal Bond Program	50,000
Alderman	Mississippi Municipal Bond Program	50,000
Alderman	Mississippi Municipal Bond Program	50,000
Radio Dispatchers	Travelers Casualty and Surety Company of America	10,000

SCHEDULE OF EXPENDITURE OF FEDERAL, STATE AND LOCAL AWARDS
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor Program Title	Type of Grant	Federal CFDA Number	Pass-Through Entity	Pass-Through Grantor's Number	Award Amount	(Accrued) or Deferred Revenue at September 30, 2014	Cash Receipts	Expenditures / Revenue Recognized	(Accrued) or Deferred Revenue at September 30, 2015
FEDERAL AWARD									
Department of Housing and Urban Development	Home Investment Program	14.239	Mississippi Development	1223-M11-SG-280-112	\$ 413,191	\$ -	\$ 64,075	\$ 64,075	\$ -
Department of Housing and Urban Development	Sewer Pumping Station Rehab	14.228	Development Authority	1129-12-212-PF-01	450,000	-	202,419	202,419	-
Department of Health and Human Service	Mayor Health Council	93.283	Mississippi Department of	5U50DP003088-05	4,250	-	-	900	(900)
Federal Aviation Authority	Airport Improvement Grant	20.106			248,840		248,346	248,346	-
Total Federal Awards					<u>1,116,281</u>	<u>-</u>	<u>514,840</u>	<u>515,740</u>	<u>(900)</u>
STATE AWARD									
Mississippi Department of Transportation	Airport Improvement Grant	20.106	Mississippi Department of Transportation	3-28-0032-009-2012	13,825	-	13,797	13,797	-
Total State Award					<u>13,825</u>	<u>-</u>	<u>13,797</u>	<u>13,797</u>	<u>-</u>
LOCAL AWARD									
City of Hollandale, MS	Airport Improvement Grant	20.106			13,825	-	13,796	13,796	-
Total Local Award					<u>13,825</u>	<u>-</u>	<u>13,796</u>	<u>13,796</u>	<u>-</u>
Total Award					<u>\$ 1,143,931</u>	<u>\$ -</u>	<u>\$ 528,637</u>	<u>\$ 529,537</u>	<u>\$ (900)</u>

The Schedule of Expenditures of Federal, State and Local Awards were prepared on the accrual basis of accounting.

See Independent Auditors' Report and Notes to the Financial Statements.

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

JONES &
TUGGLE

To the City of Hollandale and Board of Aldermen
Hollandale, 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 City of Hollandale, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Hollandale, Mississippi's basic financial statements, and have issued our report thereon dated May 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hollandale, Mississippi'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 City of Hollandale, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hollandale, Mississippi'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

*REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTER BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)*

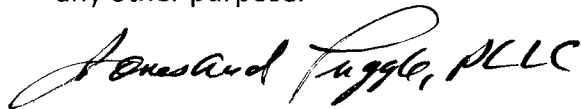
weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hollandale, Mississippi'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*.

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.



Jones and Tuggle, PLLC
Memphis, TN
May 16, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Honorable Mayor and Board of Aldermen
City of Hollandale, Mississippi

We have audited the general purpose financial statements of the City of Hollandale, Mississippi, as of and for the year ended September 30, 2015, and have issued our reported thereon dated May 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state compliance and by the audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state law 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, the general purpose financial statements disclosed no material instances of noncompliance with state law and regulations. The prior year finding has been corrected.

This report is intended for the information of the City's management and the Office of the State Auditors 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 and its distribution is not limited.



Jones and Tuggle, PLLC
Memphis, TN
May 16, 2016

**JONES &
TUGGLE**