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CHARLES E. MORROW, MAYOR

HELEN M. JOHNSON, CITY CLERK  
AND TAX COLLECTOR

## CITY OF HOLLANDALE

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April 28, 2017

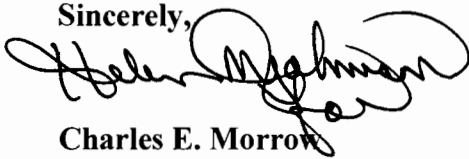
Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

RE: Annual Municipal Audit

Dear Sir or Madam:

Accompanying this letter is a copy of the annual audit for the City of Hollandale, fiscal year ending September 30, 2016. A separate management letter was not written to the City of Hollandale in connection with this audit.

Sincerely,



Charles E. Morrow  
Mayor

Enclosure



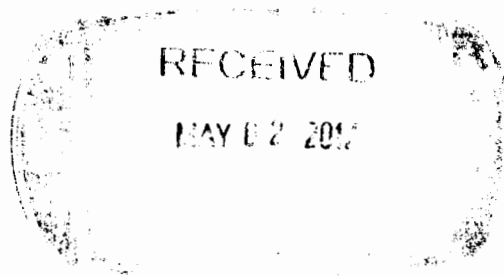
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CITY OF HOLLANDALE, MISSISSIPPI

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AUDIT REPORT  
September 30, 2016





CITY OF HOLLANDALE, MISSISSIPPI

ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2016

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*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, 2016, 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, 2016, 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*

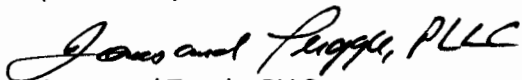
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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

January 10, 2017



## ***2016 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, 2016. 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 decreased by \$600,381
- . Total General Revenues were \$1,996,877
- . Total Business-type revenues (sales of water and sewer) \$484,207
- . Expenses for the City were \$3,081,470

### ***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 09/30/2016
<i>Assets</i>		
Current assets	\$ 894,101	\$ 1,043,560
Capital assets, net	3,939,131	3,697,769
Total Assets	4,833,232	4,741,328
<i>Liabilities</i>		
Current Liabilities	1,951,882	2,303,017
Non-current liabilities	181,512	243,302
Total Liabilities	2,133,394	2,546,319
<i>Net Position</i>		
Invested in capital assets, net		
of related debt	3,939,131	3,697,769
Unreserved	18,575	-
Restricted	119,992	351,035
Committed	104,209	86,783
Unrestricted	(1,382,839)	(1,928,506)
Total Net Position	2,799,068	2,207,081
<i>Revenue</i>		
Taxes & Others	1,838,318	1,453,247
Charges for Services	185,538	589,131
Investment Income	878	2,460
Total Revenue	2,024,734	2,044,838
<i>Expenses</i>		
Primary Government	1,734,087	2,550,519
Business-type (Water & Sewer Fund)	625,515	530,951
Total Expenses	2,359,602	3,081,471

The City of Hollandale had a fair financial year for the period ending September 30, 2016. 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 remained at 71.00 mills for this fiscal year. Budget restraints are still in place; however, the Board of Aldermen chose not to increase the present millage rate. During the FY 2016 the City participated in or applied for several grant programs. The sustainability of our community relies heavily upon funding from other sources.

1. In April of 2016 the City of Hollandale was awarded a Transportation Alternative (TA) Award. It is anticipated that approximately \$90,000 in federal funds (80% federal funds and 20% local match) are available for the construction of the project. The City proposes to install approximately 1,300 feet of sidewalk along West Avenue between Mill Street and South McKinley Avenue. The federal funds will expire if they are not obligated on or before June 30, 2018.
2. The City of Hollandale applied for grant funding through the State of Mississippi Community Development Block Grant Program to rehabilitate the main lift station and repair eroded levees at the lagoon. This proposed project would have rehabilitated the main lift station including influent bar screen structure, pumps, and control panel. The lagoon levees would have been reconstructed to the original cross section and rip rap wave barriers constructed to eliminate erosion. These improvements would have brought the system back into MDEQ Compliance. Consequently, Hollandale's application was not chosen for funding. The cost estimate was for \$443,081.00. This project was not awarded.
3. The City of Hollandale is presently serving as the fiscal agent for the 2014 FEMA Assistance to Firefighter Grant Award in the amount of \$619, 238.00. The local matching funds from Washington County fire departments and fire districts are \$30,962.00. Radios and equipment were purchased for the Washington County Volunteer Departments of Metcalfe FD, Indians Mounds FD, Leland FD, Riverside FD, Arcola FD, and Hollandale FD in the amount of \$414,720.83. Each department submitted its share of matching funds.
4. The City of Hollandale was awarded funding from Delta Regional Authority to implement a city-wide water system improvement project in the amount of \$450,000. These improvements include replacing a deteriorated trunk line on East Avenue, reconnecting two water main crossings along Deer Creek (located from Cardinal Circle to Treadway Drive and Neely Street to Treadway Drive) in order to eliminate dead end lines and water pressure problems, and replacing debilitated galvanized pipes located on Josephine Street and Simmons Street. This project will improve





Hollandale's water system, thus resolving the numerous problems that currently affect it and ensuring an adequate, safe water supply for the City's 2702 residents.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – continued (4)**

5. The City continued to partner with the Mississippi State Department of Health to create a healthy environment through policy and environment change which supports increase to physical activity, healthy foods, and reduced exposure to tobacco smoke for the purpose of reducing the prevalence of heart disease and stroke. The allocation for this intervention is \$3,925.
6. The City of Hollandale applied for funding from USDA-Rural Development Community Facility Grant to purchase grounds maintenance equipment and three lawn mowers. Rural Development will provide 75% of the funding request and the local municipality match will be 25%. The initial cost estimate was \$98,899.00. The city is currently waiting for funds to become available through USDA-Rural Development.

**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 2016, 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](mailto:hollandale@bbimail.net)*

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## BASIC FINANCIAL STATEMENTS



**STATEMENT OF NET POSITION**  
**For the Year Ended SEPTEMBER 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 448,729	\$ 40,851	\$ 489,580
Investments (cash equivalents)	100,000	-	100,000
Receivables (net of allowance)			
Utility bills	-	643	643
Property taxes	79,904	-	79,904
Accrued Interest	63	214	277
Garbage fees	49,026	-	49,026
Miscellaneous	-	2,325	2,325
Due from other funds	22,672	50,052	72,724
Total Current Assets	700,394	94,085	794,479
Restricted Assets			
O & M Escrow	-	131,181	131,181
Savings	83,621	12,279	95,900
FHA Fund	-	22,000	22,000
Total Restricted Assets	83,621	165,460	249,081
Fixed Assets (net of accumulated depreciation) (Note 3)	1,845,354	1,852,415	3,697,769
<b>TOTAL ASSETS</b>	<b>\$ 2,629,369</b>	<b>\$ 2,111,960</b>	<b>\$ 4,741,329</b>
DEFERRED OUTFLOWS OF RESOURCES:			
Total Deferred Outflows of Resources	201,542	53,575	255,117
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	\$ 75,227	\$ 15,121	\$ 90,348
Current Portion of Capital Lease Payment (Note 4)	41,875	-	41,875
Current Portion of Long-Term Debt (Note 4)	-	5,673	5,673
Payroll taxes payable	2,109	-	2,109
Compensated absences	47,976	-	47,976
Due To Other Funds	198,458	55,103	253,561
Net pension liability	1,411,561	375,225	1,786,786
Payables From Restricted Assets:			
Customer Deposits	-	74,689	74,689
Total Current Liabilities	1,777,206	525,811	2,303,017
Non-Current Liabilities			
Capital Lease Payment	61,928	-	61,928
General Obligation Bond (Note 4)	-	181,374	181,374
Total Non-Current Liabilities	61,928	181,374	243,302
<b>TOTAL LIABILITIES</b>	<b>1,839,134</b>	<b>707,185</b>	<b>2,546,319</b>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenue-FEMMA Grant	238,309	-	238,309
Pension Deferred Inflows of Resources	3,740	997	4,737
Total Deferred Inflow of Resources	242,049	997	243,046

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



**STATEMENT OF NET POSITION (Continued)**  
**For the Year Ended SEPTEMBER 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>NET POSITION</b>			
Investment In General Fixed Assets	\$ 1,845,354	1,852,415	\$ 3,697,769
Retained Earnings:			
Unreserved	-	-	-
Restricted for:			
FHA Bond Reserve/Saving	-	22,000	22,000
Customers deposits	-	74,689	74,689
Airport Fund	1,082	-	1,082
First Time Homebuyers	1,819	-	1,819
Home Investment/Improvement Grants	9,841	-	9,841
FEMA Grant	238,309	-	238,309
Sewer Pumping Station Rehab	16	-	16
CDBG	3,279	-	3,279
Committed:			
Park and Recreation	3,162	-	3,162
Fire Fund	83,621	-	83,621
Unrestricted	(1,436,755)	(491,751)	(1,928,506)
Total Net Position	749,728	1,457,353	2,207,081
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,830,911</u>	<u>\$ 2,165,535</u>	<u>\$ 4,996,446</u>

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





**GENERAL GOVERNMENT**  
**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2016*

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 1,631,238	\$ 169,204	\$ -	\$ -	\$ (1,462,034)	\$ -	(\$1,462,034)
Airport Grant	182,149	-	182,148	-	(1)	-	(\$1)
Sewer Grant	-	-	-	-	-	-	-
Home Investment	-	-	-	-	-	-	-
Fire Grant	26,913	-	12,800	-	(14,113)	-	(14,113.00)
FEMA Grant	444,640	-	-	444,640	-	-	-
Storm Drainage Grant	-	-	-	-	-	-	-
Capital outlay	265,579	-	-	-	(265,579)	-	\$ (265,579)
Total governmental activities	2,550,519	169,204	194,948	444,640	(1,741,727)	-	(1,741,727)
Business-type Activities							
Water Fund	530,951	419,927	-	-	-	(111,024)	(111,024)
Total business activities	530,951	419,927	-	-	-	(111,024)	(111,024)
Total Primary Government	<u>\$3,081,470</u>	<u>\$ 589,131</u>	<u>\$ 194,948</u>	<u>444,640</u>	<u>(1,741,727)</u>	<u>(111,024)</u>	<u>(1,852,751)</u>
General revenue:							
Taxes					1,033,894	-	1,033,894
License and Permits					6,950	-	6,950
Fines and Forfeits					33,029	-	33,029
Interest Income					1,964	496	2,460
Miscellaneous					120,642	63,784	184,426
Total General Revenues					<u>1,196,479</u>	<u>64,280</u>	<u>1,260,759</u>
Change in Net Position					(545,248)	(46,744)	(591,992)
Net Position at Beginning of year					<u>1,294,976</u>	<u>1,504,097</u>	<u>2,799,073</u>
Net Position at End of Year					<u>\$ 749,728</u>	<u>\$ 1,457,353</u>	<u>\$ 2,207,081</u>

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



**BALANCE SHEET- GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	General Fund	Non-Major Governmental Funds	Total
<b><u>ASSETS</u></b>			
<b><u>Current assets</u></b>			
Cash	\$ 154,360	\$ 294,369	\$ 448,729
Investments (Cash Equivalents)	100,000	-	100,000
Receivables (Net of Allowance for uncollectible)			
Property taxes	79,904	-	79,904
Accrued interest	63	-	63
Garbage fees	49,026	-	49,026
Due from other funds	22,672	-	22,672
Total Current Assets	406,025	294,369	700,394
Restricted Assets			
Savings	-	83,621	83,621
Total Restricted Assets	-	83,621	83,621
<b>TOTAL ASSETS</b>	<b>\$ 406,025</b>	<b>\$ 377,990</b>	<b>\$ 784,015</b>
<b><u>LIABILITIES AND NET POSITION</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 75,227	\$ -	\$ 75,227
Payroll taxes payable	-	2,109	2,109
Compensated absences	47,976	-	47,976
Due To Other Funds	175,795	22,663	198,458
Total Current Liabilities	298,998	24,772	323,770
Non-Current Liabilities			
General Obligation Bond (Note 4)	-	-	-
Total Non-Current Liabilities	-	-	-
<b>TOTAL LIABILITIES</b>	<b>298,998</b>	<b>24,772</b>	<b>323,770</b>
<b><u>FUND BALANCES</u></b>			
Retained Earnings			
Unreserved	-	-	-
Restricted			
Airport Fund	-	1,082	1,082
First Time Homebuyers	-	1,819	1,819
Home Investment/Improvement Grants	-	9,841	9,841
Sewer Pumping Station Rehab		16	16
CDBG	-	3,279	3,279
Committed			
Park and Recreation	-	3,162	3,162
Fire Fund	-	83,621	83,621
Unassigned	107,027	250,398	357,425
Total Fund Balances	107,027	353,218	460,245
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 406,025</b>	<b>\$ 377,990</b>	<b>\$ 784,015</b>

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, 2016*

Total Fund Balance - Governmental Funds	\$ 460,245
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	1,811,356
Automobiles	105,570
Infrastructure	264,640
Accumulated depreciation	<u>(3,425,756)</u>
	1,845,354
Deferred outflows of resources - deferred outflows - pension	201,542
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(1,411,561)
Capital Lease payment	(103,803)
Deferred inflow of resources - deferred inflows - pension	(3,740)
Deferred inflow of resources - FEMA Grant	<u>(238,309)</u>
Net Position of Governmental Activities	<u>\$ 749,728</u>

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2016*

	General Fund	Non Major Governmental Funds	Total
<b>REVENUES:</b>			
Taxes	\$ 1,033,894	\$ -	\$ 1,033,894
License and Permits	6,950	-	6,950
Intergovernmental	-	182,148	182,148
Charges for Services	169,204	-	169,204
Fines and Forfeits	33,029	-	33,029
Interest Income	1,069	895	1,964
Miscellaneous	120,252	13,190	133,442
Total Revenues	<u>1,364,398</u>	<u>196,233</u>	<u>1,560,631</u>
<b>EXPENDITURES:</b>			
Personnel	673,781	-	673,781
Supplies	596,057	1,218	597,275
Other Services and Charges	117,866	211,059	328,925
Miscellaneous	57,645	-	57,645
Total Expenditures	<u>1,445,349</u>	<u>212,277</u>	<u>1,657,626</u>
Excess Of Revenues Over (Under)			
Expenditures	(80,951)	(16,044)	(96,995)
Fund Balances -Beginning of year	<u>187,978</u>	<u>369,262</u>	<u>557,240</u>
Fund Balances - End of Year	<u>\$ 107,027</u>	<u>\$ 353,218</u>	<u>\$ 460,245</u>

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, 2016*

Net Change in Fund Balance - Total Governmental Funds	\$ (96,995)
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.	
Pension expense	(182,674)
Depreciation	<u>(265,579)</u>
Change in Net Position of Governmental Activities	<u>\$ (545,248)</u>

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



**STATEMENT OF NET POSITION- PROPRIETARY FUND**  
**For the Year Ended September 30, 2016**

ASSETS	
Current Assets	
Cash	\$ 40,851
Accounts Receivable (net allowance)	2,968
Accrued Interest Receivable	214
Due from General Fund	50,052
Total Current Assets	94,085
Restricted Assets	
FHA Funds	22,000
O & M Escrow	131,181
Saving	12,279
Total Restricted Assets	165,460
Fixed Assets	
Property, Plant and Equipment	4,398,352
Less: Accumulated Depreciation	(2,545,937)
Net Fixed Assets	1,852,415
TOTAL ASSETS	\$ 2,111,960
DEFERRED OUTFLOWS OF RESOURCES:	
Total Deferred Outflows of Resources	\$ 53,575
LIABILITIES, CONTRIBUTED CAPITAL AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 15,121
Current Portion of Long-Term Debt (Note 4)	5,673
Due To Other Funds	55,103
Net pension liability	375,225
Customer Deposits	74,689
Total Current Liabilities	525,811
Long-Term Liabilities	
General Obligation Bond (Note 4)	181,374
Total Long-Term Liabilities	181,374
Total Liabilities	707,185
DEFERRED INFLOWS OF RESOURCES:	
Total Deferred Inflows of Resources	997

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



**STATEMENT OF NET POSITION- PROPRIETARY FUND (Continued)**  
**For the Year Ended September 30, 2016**

Contributed Capital and Net Position	
Investment in general fixed assets	1,852,415
Restricted fund balance	96,689
Net Position	<u>(491,751)</u>
Total Contributed Capital and Net Position	<u>1,457,353</u>
TOTAL LIABILITIES, CONTRIBUTED CAPITAL AND NET POSITION	<u>\$ 2,164,538</u>

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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, 2016**

Operating Revenues:	
Water and Sewer Fees	\$ 419,927
Tank Repair	40,976
Damages	14,525
Other Charges	<u>8,283</u>
Total Operating Revenues	483,711
Operating Expenses:	
Personnel Costs	171,053
Materials and Supplies	189,936
Other Expenses	61,899
Depreciation Expense	<u>98,391</u>
Total Operating Expenses	<u>521,279</u>
Net Operating Income	(37,568)
Non-Operating Revenues (Expenses)	
Interest Income	496
Interest Expense	<u>(9,672)</u>
Total Non-Operating Revenues (Expenses)	<u>(9,176)</u>
Net Income/(Loss)	(46,744)
Net Position - Beginning of Year	<u>1,504,097</u>
Net Position - End of Year	<u><u>\$ 1,457,353</u></u>

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





**STATEMENT OF CASH FLOWS- PROPRIETARY FUND**  
**For the Year Ended September 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating Income	\$ (37,568)
Adjustments To Reconcile Operating Income	
To Net Cash Provided By Operating Activities:	
Depreciation	98,391
Changes In Assets and Liabilities:	
Decrease in restricted cash	(42,044)
Decrease in accounts receivable	(41)
Increase in due from other funds	(27)
Decrease in accounts payable	(2,457)
Decrease in customer deposits	4,215
Decrease in due to other funds	17,165
Deferred outflow of resources	(14,757)
Net pension liability	20,333
Deferred inflow of resources	(8,535)
Net Cash Provided By Operating Activities	34,675

**CASH FLOWS FROM CAPITAL AND RELATED**

**FINANCING ACTIVITIES:**

Interest paid on long-term debt	(9,672)
Payment on long-term debt	(6,032)
Interest Income	496
Net Cash Provided By Capital and Related Financing Activities	(15,208)
Net Change In Cash and Cash Equivalents	19,467
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	21,384
CASH AND CASH EQUIVALENTS-END OF YEAR	\$ 40,851

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**NOTES TO THE FINANCIAL STATEMENTS***For the Year Ended September 30, 2016***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:

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(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, 2016**

**(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.

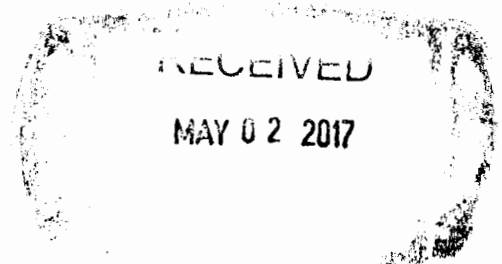
The City reports the following major governmental funds:

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, 2016**  
**(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, 2016 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, 2016*  
*(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 2016. 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, 2016**  
**(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 71.00 mills, allocated as follows:

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**Note 3 - Fixed Assets**

A summary of changes in general fixed assets follows:

Governmental activities:

	Balance 9/30/2015	Additions	Deletions	Balance 9/30/2016
<b>Non Depreciable assets:</b>				
Land	\$ 656,349	\$ -	\$ -	\$ 656,349
<b>Depreciable Assets:</b>				
Building	882,875	-	-	882,875
Improvements	1,550,320	-	-	1,550,320
Furniture and Equipment	1,665,981	122,607	-	1,788,588
Automobiles	105,570	-	-	105,570
Mobile Equipment	22,768	-	-	22,768
Infrastructure	264,640	-	-	264,640
Total assets	<u>5,148,503</u>	<u>122,607</u>	<u>-</u>	<u>5,271,110</u>
Less accumulated depreciation for				
Building and Improvements	1,431,325	60,829	-	1,492,154
Furniture and Equipment	1,474,026	173,573	-	1,647,599
Mobile Equipment	22,768	-	-	22,768
Automobiles	21,677	27,395	-	49,072
Infrastructure	210,447	3,781	-	214,228
	<u>3,160,243</u>	<u>265,578</u>	<u>-</u>	<u>3,425,821</u>
Net Capital Assets	<u>\$ 1,988,260</u>	<u>\$ (142,971)</u>	<u>\$ -</u>	<u>\$1,845,289</u>





**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(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
<b>Depreciable Asset</b>				
Building and Improvements	2,333,708	-	-	2,333,708
Furniture and Equipment	409,857	-	-	409,857
Infrastructure	1,613,372	-	-	1,613,372
Automobile	24,000	-	-	24,000
Mobile Radios	9,915	-	-	9,915
Total capital assets	<u>4,398,352</u>	<u>-</u>	<u>-</u>	<u>4,398,352</u>
Less accumulated depreciation for:				-
Building and Improvements	1,630,872	58,445	-	1,689,317
Furniture and Equipment	360,925	12,102	-	373,027
Infrastructure	432,658	23,048	-	455,706
Automobile	13,175	4,796	-	17,971
Mobile Radios	9,915	-	-	9,915
Total accumulated depreciation	<u>2,447,545</u>	<u>98,391</u>	<u>-</u>	<u>2,545,936</u>
Net Capital Assets	<u>\$ 1,950,807</u>	<u>\$ (98,391)</u>	<u>\$ -</u>	<u>\$1,852,416</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**Note 4 - Changes in Long-Term Debt**

**General Fund:**

**LEASING ARRANGEMENTS**

The Government leases 3 Ford Taurus Police Cars under a noncancelable lease that is classified as a capital lease that expires in 2017.

The total capital lease equals \$41,876 at September 30, 2016.

Future minimum lease payments under capital leases are as follows:

Year Ending September 30 2017	41,875
Total minimum lease payments	41,875
Less executor costs and related profit	-
Net minimum lease payments	41,875
Less amount representing interest	7,765
Present value of minimum lease payments	<u>\$ 34,110</u>

The City of Hollandale, MS has an obligation to a bank bearing interest at 2.11%.

The loan is payable in monthly installments of \$638.85, including interest, and is collateralized by equipment.

Principal and interest payments for the years following September 30, 2016, are as follows:

	Principal	Interest
2017	<u>\$ 18,587</u>	<u>\$ 301</u>
	<u>\$ 18,587</u>	<u>\$ 301</u>

The City of Hollandale, MS has an obligation to a bank bearing interest at 2.09%.

The loan is payable in monthly installments of \$810.10, including interest, and is collateralized by equipment.

Principal and interest payments for the years following September 30, 2016, are as follows:

	Principal	Interest
2017	<u>\$ 43,341</u>	<u>\$ 760</u>
	<u>\$ 43,341</u>	<u>\$ 760</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**Note 4 - Changes in Long-Term Debt (Continued)**

*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, 2016, are as follows:

	Principal	Interest
2017	3,516	4,188
2018	3,677	4,027
2019	3,846	3,858
2020	4,023	3,681
2021	4,208	3,496
2022 to 2026	24,122	14,398
2027 to 2031	30,195	8,325
2032 to 2035	21,085	1,458
	<u>\$ 94,672</u>	<u>\$ 43,431</u>

**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, 2016, are as follows:

	Principal	Interest
2017	3,381	4,071
2018	3,536	3,916
2019	3,698	3,754
2020	3,868	3,584
2021	4,046	3,406
2022 to 2026	23,194	14,066
2027 to 2031	29,035	8,225
2032 to 2035	21,255	1,536
	<u>\$ 92,013</u>	<u>\$ 42,558</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**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 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](http://www.PERS.ms.gov).





**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**Note 5 - Defined Pension Plan (Continued)**

**(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**

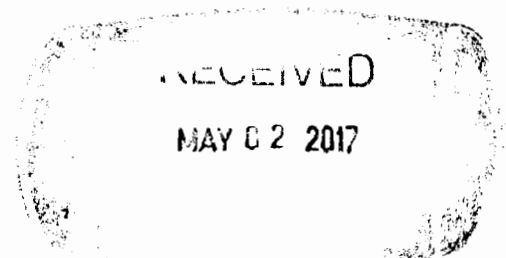
GASB Statement No.68, Accounting and Financial Reporting for Pensions, requires participating

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 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, 2016.

The current year employer contributions used in the Schedule of Employer Allocations for 2016 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, 2016:

Total current year employer contributions per Schedule of Employer Allocations	\$ 100,787
Timing differences	267
Fees from Optional Retirement Plan *	1,077
Miscellaneous	30
Total employer contributions per audited financial statements	<u>\$ 102,161</u>

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





**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**Note 5 - Defined Pension Plan (Continued)**

**(4) Collective Net Pension Liability**

The components of the collective net pension liability of the participating employers at June 30, 2016 were as follows:

Total pension liability	\$4,201,011
Plan fiduciary net position	<u>2,414,226</u>
Employer's net pension liability	<u><u>\$1,786,786</u></u>

**(a) Actuarial Assumptions**

The collective total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00%

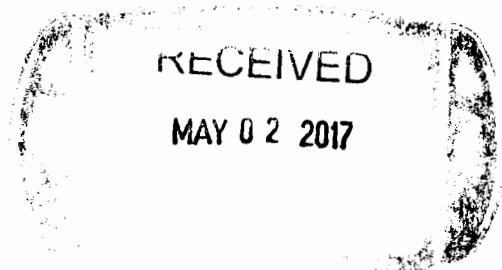
Salary increases 3.75-19.00%, including inflation

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.

The actuarial assumptions used in the June 30, 2016 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, 2016.

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.





**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

**Note 5 - Defined Pension Plan (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, 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 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):

	<u>1% decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net pension liability	\$ 2,291,060	\$ 1,786,786	\$ 1,368,401



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(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, 2015	\$ 4,037,669	\$ 2,491,402	\$ 1,546,267
Changes for the year:			
Service cost	73,477	-	73,477
Interest	303,304	-	303,304
Different between actual and expected expense	41,362	-	41,362
Change in assumptions	(6,663)	-	(6,663)
Contribution - employer	-	102,157	(102,157)
Contribution - employee	-	57,275	(57,275)
Net investment income		13,094	(13,094)
Benefit payments, including refunds of employee contributions	(248,138)	(248,138)	-
Administrative expense	-	(1,517)	1,517
Other changes	-	(47)	47
Net Changes	163,342	(77,176)	240,518
Balance at June 30, 2015	<u>\$ 4,201,011</u>	<u>\$ 2,414,226</u>	<u>\$ 1,786,785</u>

**(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 2016 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 2016. In 2016, 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, 2016**  
**(Continued)**

**Note 5 - Defined Pension Plan (Continued)**

which was used prior to 2016. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2016, 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, 2016:

The table below provides a summary of the collective deferred outflows and inflows as of June 30, 2016 (measurement date):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 49,838	\$ -
Changes in assumptions	84,233	(4,748)
Net difference between projected and actual earnings on plan investments	121,046	-
Employer contribution subsequent to the measurement date	See note	-
Total	<u>\$ 255,117</u>	<u>\$ (4,748)</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,	
2017	\$ 86,922
2018	65,446
2019	62,703
2020	35,298
Total	<u>\$ 250,369</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**  
**(Continued)**

***Note 6 - Custodial Credit Risk***

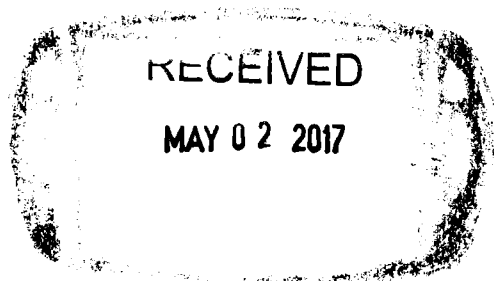
Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000. As of September 30, 2016 the City had unsecured funds in the amount of \$580,267. 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 7 - 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, 2016 for the Primary Government.

***Note 8 – 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.





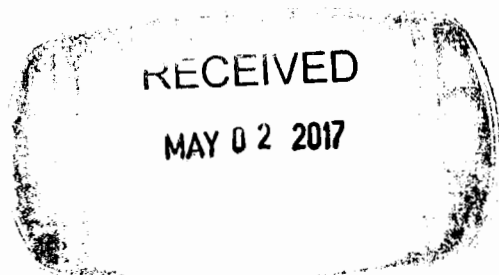
*REQUIRED SUPPLEMENTARY INFORMATION*





**BUDGETARY COMPARISON****GENERAL FUND***For the Year Ended September 30, 2016*

	<u>Budgeted Amount</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<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	<u>143,000</u>	<u>143,000</u>	<u>203,216</u>	<u>60,216</u>
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	<u>16,000</u>	<u>16,000</u>	<u>144</u>	<u>15,856</u>
TOTAL EXPENDITURES	<u>1,484,000</u>	<u>1,484,000</u>	<u>1,734,087</u>	<u>(250,087)</u>
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, 2016*

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>REVENUES:</b>				
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
<b>EXPENDITURES</b>				
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>	<u>\$ (143,892)</u>	<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>	



***SCHEDULE OF INVESTMENTS – ALL FUNDS***  
***For the Year Ended September 30, 2016***

**GENERAL FUND:**

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

**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>

<b>TOTAL INVESTMENTS</b>	<b><u><u>\$ 438,448</u></u></b>
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**PRINCIPAL OFFICIALS***For the Year Ended September 30, 2016*

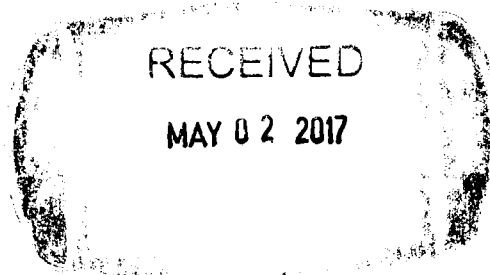
<u>Name</u>	<u>Title and Position</u>	<u>Years in Town Government</u>
Charles Morrow	Mayor	2
Janice Johnson-Ford	Vice Mayor	11
Josh Bogen	City Attorney	26
Helen Johnson	City Clerk	15
Jeanette Bowdre	Deputy Clerk	28
Charles Dones	Chief of Police	1
Carl Dorsey	Alderman	11
Robert Swint	Alderman	15
Brian Ballinger	Alderman	7
Ronnie Williams	Alderman	11





**SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS**  
**For the Year Ended September 30, 2016**

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, 2016**

<b>Federal Grantor/ Pass-through Grantor Program Title</b>	<b>Type of Grant</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity</b>	<b>Pass-Through Grantor's Number</b>	<b>Award Amount</b>	<b>(Accrued) or Deferred Revenue at September 30, 2015</b>	<b>Cash Receipts</b>	<b>Expenditures / Revenue Recognized</b>	<b>(Accrued) or Deferred Revenue at September 30, 2016</b>
<b>FEDERAL AWARD</b>									
Department of Housing and Urban Development	Home Investment Program	14.239	Mississippi Development Authority	1223-M11-SG-280-112	\$ 413,191	\$ -	\$ -	\$ -	\$ -
Department of Housing and Urban Development	Sewer Pumping Station Rehab	14.228	Mississippi Development Authority	1129-12-212-PF-01	450,000	-	-	-	-
Department of Health and Human Service	Mayor Health Council	93.283	Mississippi Department of Health	5U50DP003088-05	4,250	(900)	-	-	(900)
Federal Emergency Management Agency (FEMA)	Fire Equipment Grant						619,239	414,730	204,509
Federal Aviation Authority	Airport Improvement Grant	20.106			248,840		163,934	163,934	-
<b>Total Federal Awards</b>					<b>1,116,281</b>	<b>(900)</b>	<b>783,173</b>	<b>578,664</b>	<b>203,609</b>
<b>STATE AWARD</b>									
Mississippi Department of Transportation	Airport Improvement Grant	20.106	Mississippi Department of Transportation	3-28-0032-009-2012	13,825	-	8,181	8,181	-
<b>Total State Award</b>					<b>13,825</b>	<b>-</b>	<b>8,181</b>	<b>8,181</b>	<b>-</b>
<b>LOCAL AWARD</b>									
Federal Emergency Management Agency (FEMA)	Fire Equipment Grant				-	-	62,725	29,910	32,815
City of Hollandale, MS	Airport Improvement Grant	20.106			13,825	-	10,034	10,034	-
<b>Total Local Award</b>					<b>13,825</b>	<b>-</b>	<b>72,759</b>	<b>39,944</b>	<b>32,815</b>
<b>Total Award</b>					<b>\$ 1,143,931</b>	<b>\$ (900)</b>	<b>\$ 864,113</b>	<b>\$ 626,789</b>	<b>\$ 236,424</b>

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

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*SCHEDULE OF EXPENDITURE OF FEDERAL, STATE AND LOCAL AWARDS (Continued)*  
*For the Year Ended September 30, 2016*

*Notes to the Schedule of Federal Awards*

*Note 1—Basis of Accounting*

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

*Note 2 – Agency Fund (FEMA Grant)*

The City received a grant from the Federal Emergency Management Agency (FEMA) to provide radios for the fire department in five municipalities in Washington County. The total amount of grant that was expended for this grant was for \$414,730 which resulted in a total of \$626,789. The total amount of funds that was attributing to the City of Hollandale was \$70,839



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, 2016, 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 January 10, 2017.

*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

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[www.jonesandtuggle.com](http://www.jonesandtuggle.com)



*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*

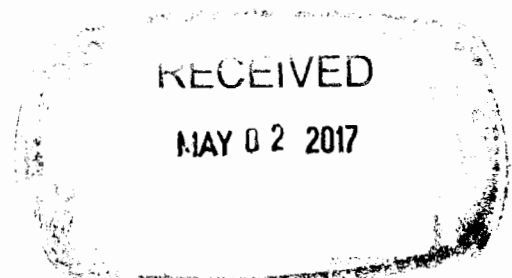
As part of obtaining reasonable assurance about whether City of Hollandale, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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  
January 10, 2017







*INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS*

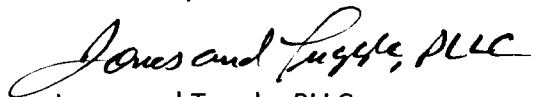
To the Honorable Mayor and Board of Aldermen  
City of Hollandale, Mississippi

We have audited the general purpose financial statements of the City of Hollandale, Mississippi, as of and for the year ended September 30, 2016, and have issued our reported thereon dated January 10, 2017. 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  
January 10, 2017

**JONES &  
TUGGLE**

