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CITY OF HOLLANDALE

ALDERMEN
GERALDINE HAGGARD
ROBERT SWINT
BRYNE SMITH
BRIAN BALLINGER
RONNIE WILLIAMS

200 EAST AVENUE SOUTH
P. O. BOX 395
HOLLANDALE, MISSISSIPPI 38748
(662) 827-2241
(662) 827-5596 (FAX)

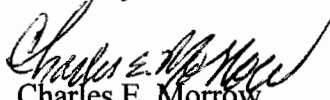
April 16, 2018

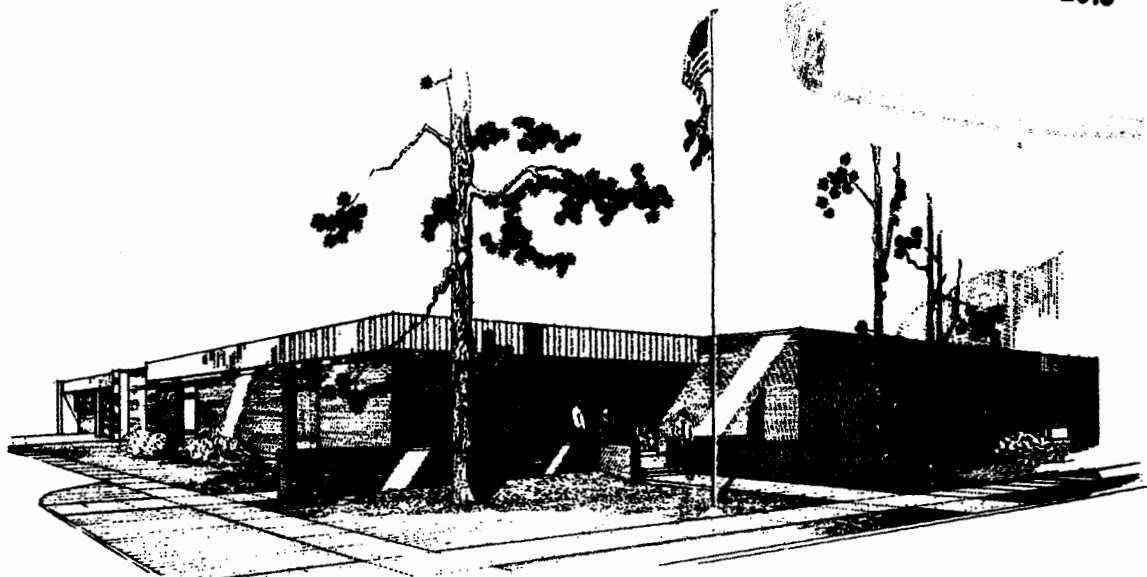
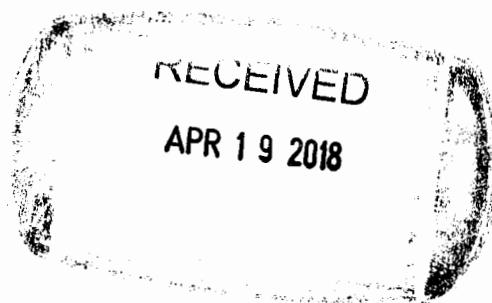
Office of State Auditor
P. O. Box 956
Jackson, MS 39205

Re: Municipal Audit

Accompanying this letter is two copies of the annual audit of the City of Hollandale, Mississippi, for the fiscal year ended September 30, 2017. A separate management letter was not written to the City in connection with the audit.

Sincerely,


Charles E. Morrow
Mayor

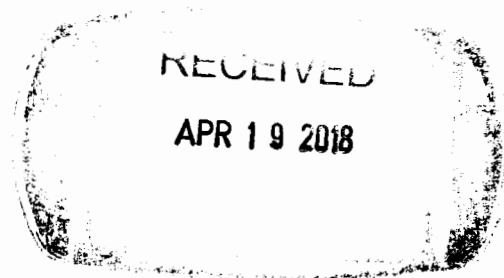


"This institution is an equal opportunity provider and employer."

CITY OF HOLLANDALE, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2017



CITY OF HOLLANDALE, MISSISSIPPI

ANNUAL FINANCIAL REPORT
Year Ended September 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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,

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each major fund, and the aggregate remaining fund information of the City of Hollandale, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

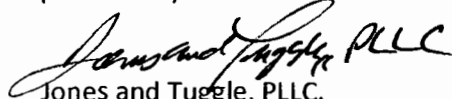
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 12, 2018

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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performances.

FINANCIAL HIGHLIGHTS

- . The City's net assets decreased by \$329,304
- . Total General Revenues were \$1,690,559
- . Total Business-type revenues (sales of water and sewer) \$429,198
- . Expenses for the City were \$2,445,227

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 09/30/2016	FYE 09/30/2017
<i>Assets</i>		
Current assets	\$ 1,043,560	\$ 810,712
Capital assets, net	<u>3,697,769</u>	<u>3,737,601</u>
Total Assets	4,741,329	4,548,312
<i>Liabilities</i>		
Current Liabilities	2,303,017	2,404,971
Non-current liabilities	<u>243,302</u>	<u>245,280</u>
Total Liabilities	2,546,319	2,650,251
<i>Net Position</i>		
Invested in capital assets, net of related debt	3,697,769	3,737,601
Unreserved	-	-
Restricted	351,035	152,302
Committed	86,783	104,965
Unrestricted	<u>(1,928,506)</u>	<u>(2,117,091)</u>
Total Net Position	2,207,081	1,877,777
<i>Revenue</i>		
Taxes & Others	1,453,247	1,349,400
Charges for Services	589,131	668,163
Investment Income	<u>2,460</u>	<u>4,116</u>
Total Revenue	2,044,838	2,021,679
<i>Expenses</i>		
Primary Government	2,550,519	1,845,534
Business-type (Water & Sewer Fund)	<u>530,951</u>	<u>599,692</u>
Total Expenses	3,081,470	2,445,227

The City of Hollandale had a reasonable financial year for the period ending September 30, 2017. 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 viability of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued (3)

During this fiscal year we still rely upon our citizens, first for shopping in the City of Hollandale because a percentage of our revenues come from sales taxes and secondly, we rely on the businesses and taxpayers for the prompt payments of property, vehicle ad valorem, personal and utility taxes. As with the prior year, we have seen a decrease in sales tax due to the economy. Expenses increased due to fuel cost and other economic difficulties.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The millage rate is at 74.00 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 2017 the City participated in or applied for several grant programs. The sustainability of our community relies heavily upon our taxpayers and funding from other sources.

1. In April of 2017 the City of Hollandale was awarded a Transportation Alternative 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. We are progressing and moving forward to implement this grant.
2. 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 will 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 numerous problems that currently affect it and will enhance the adequate and potable water supply for the City's 2702 residents. The environmental study for this project is complete and the engineers will be moving forward in the coming months.
3. The City of Hollandale received funds from USDA-Rural Development Community Facility Grant to purchase grounds maintenance equipment and lawn mowers. Rural Development provided 75% of the funding request and the local municipality matched the 25%. The initial cost estimate was \$98,899.00. We were fortunate to purchase a tractor, bush-hog, and five commercial lawn mowers with parts and accessories.

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MANAGEMENT'S DISCUSSION AND ANALYSIS – continued (4)

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 2017, 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

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
For the Year Ended SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 212,680	\$ 7,132	\$ 219,812
Investments (cash equivalents)	100,250	-	100,250
Receivables (net of allowance)			
Utility bills	-	56,903	56,903
Property taxes	64,553	-	64,553
Accrued Interest	63	214	277
Garbage fees	49,026	-	49,026
Miscellaneous	-	2,802	2,802
Due from other funds	(42,162)	118,052	75,890
Total Current Assets	384,410	185,103	569,513
Restricted Assets			
O & M Escrow	-	104,682	104,682
Savings	101,379	13,094	114,473
FHA Fund	-	22,044	22,044
Total Restricted Assets	101,379	139,820	241,199
Fixed Assets (net of accumulated depreciation) (Note 3)	1,966,388	1,771,213	3,737,601
TOTAL ASSETS	\$ 2,452,177	\$ 2,096,136	\$ 4,548,313
DEFERRED OUTFLOWS OF RESOURCES:			
Total Deferred Outflows of Resources	55,946	10,085	66,031
LIABILITIES AND FUND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 66,032	\$ 23,300	\$ 89,332
Current Portion of Capital Lease Payment (Note 4)	47,793	-	47,793
Current Portion of Long-Term Debt (Note 4)	-	34,753	34,753
Payroll taxes payable	2,283	-	2,283
Compensated absences	51,978	-	51,978
Due To Other Funds	238,795	58,378	297,173
Net pension liability	1,425,178	379,292	1,804,470
Payables From Restricted Assets:			
Customer Deposits	-	77,189	77,189
Total Current Liabilities	1,832,059	572,912	2,404,971
Non-Current Liabilities			
Capital Lease Payment	78,417	-	78,417
General Obligation Bond (Note 4)	-	166,863	166,863
Total Non-Current Liabilities	78,417	166,863	245,280
TOTAL LIABILITIES	1,910,476	739,775	2,650,251
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenue-FEMA Grant	46,906	-	46,906
Pension Deferred Inflows of Resources	30,438	8,972	39,410
Total Deferred Inflow of Resources	77,344	8,972	86,316

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

STATEMENT OF NET POSITION (Continued)
For the Year Ended SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Investment In General Fixed Assets	\$ 1,966,388	1,771,213	\$ 3,737,601
Retained Earnings:			
Unreserved	-	-	-
Restricted for:			
FHA Bond Reserve/Saving	-	22,000	22,000
Customers deposits	-	77,189	77,189
Airport Fund	1,082	-	1,082
First Time Homebuyers	1,828	-	1,828
Home Investment/Improvement Grants	-	-	-
FEMA Grant	46,905	-	46,905
Sewer Pumping Station Rehab	16	-	16
CDBG	3,282	-	3,282
Committed:			
Park and Recreation	3,586	-	3,586
Fire Fund	101,379	-	101,379
Unrestricted	(1,604,163)	(512,928)	(2,117,091)
Total Net Position	520,303	1,357,474	1,877,777
TOTAL LIABILITIES AND NET POSITION	\$ 2,508,123	\$ 2,106,221	\$ 4,614,344

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

GENERAL GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government	
	Expenses				Governmental Activities	Business-type Activities
Primary Government						
Governmental Activities:						
General Government	\$1,563,789	\$ 198,678	\$ -	\$ -	\$ (1,365,111)	\$ -
MDA Grant	-	-	54,277	-	54,277	-
Home Investment	-	-	-	-	-	-
Fire Grant	-	-	17,132	-	17,132	-
FEMA Grant	-	-	-	198,078	198,078	-
Storm Drainage Grant	-	-	45,890	-	45,890	-
Capital outlay	281,745	-	-	-	(281,745)	-
Total governmental activities	1,845,534	198,678	117,299	198,078	(1,331,479)	-
Business-type Activities						
Water Fund	599,692	469,485	-	-	-	(130,207)
Total business activities	599,692	469,485	-	-	-	(130,207)
Total Primary Government	<u>\$2,445,226</u>	<u>\$ 668,163</u>	<u>\$ 117,299</u>	<u>198,078</u>	<u>(1,331,479)</u>	<u>(130,207)</u>
General revenue:						
Taxes					990,030	-
License and Permits					8,326	-
Fines and Forfeits					45,801	-
Interest Income					2,814	1,302
Miscellaneous					129,533	58,411
Total General Revenues					1,176,504	59,713
Change in Net Position					(154,975)	(70,494)
Net Position at Beginning of year					749,728	1,457,353
Prior Period Adjustment					(74,450)	(29,385)
Net Position at End of Year					<u>\$ 520,303</u>	<u>\$ 1,357,474</u>
						<u>\$ 1,877,777</u>

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

BALANCE SHEET- GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	General Fund	Non-Major Governmental Funds	Total
<u>ASSETS</u>			
<u>Current assets</u>			
Cash	\$ 111,617	\$ 101,063	\$ 212,680
Investments (Cash Equivalents)	100,250	-	100,250
Receivables (Net of Allowance for uncollectible)			
Property taxes	64,553	-	64,553
Accrued interest	63	-	63
Garbage fees	49,026	-	49,026
Due from other funds	(42,162)	-	(42,162)
Total Current Assets	283,347	101,063	384,410
Restricted Assets			
Savings	-	101,379	101,379
Total Restricted Assets	-	101,379	101,379
TOTAL ASSETS	<u>\$ 283,347</u>	<u>\$ 202,442</u>	<u>\$ 485,789</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 66,032	\$ -	\$ 66,032
Payroll taxes payable	-	2,283	2,283
Compensated absences	51,978	-	51,978
Due To Other Funds	210,170	28,625	238,795
Total Current Liabilities	328,180	30,908	359,088
Non-Current Liabilities			
General Obligation Bond (Note 4)	-	-	-
Total Non-Current Liabilities	-	-	-
TOTAL LIABILITIES	328,180	30,908	359,088
<u>FUND BALANCES</u>			
Retained Earnings			
Unreserved	-	-	-
Restricted			
Airport Fund	-	1,082	1,082
First Time Homebuyers	-	1,828	1,828
Home Investment/Improvement Grants	-	-	-
Sewer Pumping Station Rehab	-	16	16
CDBG	-	3,282	3,282
Committed			
Park and Recreation	-	3,586	3,586
Fire Fund	-	101,379	101,379
Unassigned	(44,833)	60,361	15,528
Total Fund Balances	(44,833)	171,534	126,701
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 283,347</u>	<u>\$ 202,442</u>	<u>\$ 485,789</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, 2017

Total Fund Balance - Governmental Funds	\$ 126,701
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	2,135,668
Automobiles	184,038
Infrastructure	264,640
Accumulated depreciation	<u>(3,707,502)</u> 1,966,388
Deferred outflows of resources - deferred outflows - pension	55,946
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(1,425,178)
Capital Lease payment	(126,211)
Deferred inflow of resources - deferred inflows - pension	(30,438)
Deferred inflow of resources - FEMA Grant	<u>(46,905)</u>
Net Position of Governmental Activities	<u><u>\$ 520,303</u></u>

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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, 2017

	General Fund	Non Major Governmental Funds	Total
REVENUES:			
Taxes	\$ 990,030	\$ -	\$ 990,030
License and Permits	8,326	-	8,326
Intergovernmental	-	297,415	297,415
Charges for Services	198,678	-	198,678
Fines and Forfeits	45,801	-	45,801
Interest Income	1,718	1,926	3,644
Miscellaneous	128,943	17,722	146,665
Total Revenues	1,373,496	317,063	1,690,559
EXPENDITURES:			
Personnel	765,561	-	765,561
Supplies	615,554	-	615,554
Other Services and Charges	105,999	-	105,999
Miscellaneous	76,675	-	76,675
Total Expenditures	1,563,789	-	1,563,789
Excess Of Revenues Over (Under)			
Expenditures	(190,293)	317,063	126,770
Fund Balances -Beginning of year	107,027	353,218	460,245
Prior Period Adjustment	38,433	(498,747)	(460,314)
Fund Balances - End of Year	\$ (44,833)	\$ 171,534	\$ 126,701

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, 2017

Net Change in Fund Balance - Total Governmental Funds	\$ 126,770
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	<u>(281,745)</u>
Change in Net Position of Governmental Activities	<u>\$ (154,975)</u>

STATEMENT OF NET POSITION- PROPRIETARY FUND
For the Year Ended September 30, 2017

Current Assets	
Cash	\$ 7,132
Accounts Receivable (net allowance)	59,705
Accrued Interest Receivable	214
Due from General Fund	<u>118,052</u>
Total Current Assets	185,103
Restricted Assets	
FHA Funds	22,044
O & M Escrow	104,682
Saving	<u>13,094</u>
Total Restricted Assets	139,820
Fixed Assets	
Property, Plant and Equipment	4,419,802
Less: Accumulated Depreciation	<u>(2,648,589)</u>
Net Fixed Assets	<u>1,771,213</u>
TOTAL ASSETS	<u>\$ 2,096,136</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Total Deferred Outflows of Resources	<u>\$ 10,085</u>
LIABILITIES, CONTRIBUTED CAPITAL AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 23,300
Current Portion of Long-Term Debt (Note 4)	34,753
Due To Other Funds	58,378
Net pension liability	379,292
Customer Deposits	<u>77,189</u>
Total Current Liabilities	572,912
Long-Term Liabilities	
General Obligation Bond (Note 4)	<u>166,863</u>
Total Long-Term Liabilities	<u>166,863</u>
Total Liabilities	<u>739,775</u>
DEFERRED INFLOWS OF RESOURCES:	
Total Deferred Inflows of Resources	<u>8,972</u>

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

*STATEMENT OF NET POSITION- PROPRIETARY FUND (Continued)**For the Year Ended September 30, 2017*

Contributed Capital and Net Position	
Investment in general fixed assets	1,771,213
Restricted fund balance	99,189
Net Position	<u>(512,928)</u>
Total Contributed Capital and Net Position	<u>1,357,474</u>
TOTAL LIABILITIES, CONTRIBUTED CAPITAL AND NET POSITION	<u>\$ 2,097,249</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, 2017**

Operating Revenues:	
Water and Sewer Fees	\$ 468,690
Tank Repair	36,576
Damages	13,392
Other Charges	<u>9,238</u>
Total Operating Revenues	527,896
Operating Expenses:	
Personnel Costs	226,553
Materials and Supplies	204,036
Other Expenses	58,176
Depreciation Expense	<u>102,652</u>
Total Operating Expenses	<u>591,417</u>
Net Operating Income	(63,521)
Non-Operating Revenues (Expenses)	
Interest Income	1,302
Interest Expense	<u>(8,275)</u>
Total Non-Operating Revenues (Expenses)	<u>(6,973)</u>
Net Income/(Loss)	(70,494)
Net Position - Beginning of Year	1,457,353
Prior Period Adjustment	<u>(29,385)</u>
Net Position - End of Year	<u><u>\$ 1,357,474</u></u>

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

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income	\$ (63,521)
Adjustments To Reconcile Operating Income	
To Net Cash Provided By Operating Activities:	
Depreciation	102,652
Prior period adjustment	(29,385)
Changes In Assets and Liabilities:	
Decrease in restricted cash	25,640
Decrease in accounts receivable	(56,737)
Increase in due from other funds	(68,000)
Decrease in accounts payable	8,179
Decrease in customer deposits	2,500
Decrease in due to other funds	3,275
Deferred outflow of resources	43,490
Net pension liability	4,067
Deferred inflow of resources	<u>7,975</u>
Net Cash Provided By Operating Activities	(19,865)

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Interest paid on long-term debt	(8,275)
Payment on long-term debt	14,569
Purchase of fixed assets	(21,450)
Interest Income	<u>1,302</u>
Net Cash Provided By Capital and Related Financing Activities	<u>(13,854)</u>
Net Change In Cash and Cash Equivalents	(33,719)

CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR 40,851

CASH AND CASH EQUIVALENTS-END OF YEAR \$ 7,132

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended September 30, 2017***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, 2017
(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

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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, 2017
(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, 2017 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, 2017
(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 2017. 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, 2017
(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	70.50 mills
Fire Department Fund	<u>3.50 mills</u>
TOTAL	<u>74.00 mills</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(Continued)

Note 3 - Fixed Assets

A summary of changes in general fixed assets follows:

Governmental activities:

	Balance 9/30/2016	Additions	Deletions	Balance 9/30/2017
Non Depreciable assets:				
Land	\$ 656,349	\$ -	\$ -	\$ 656,349
Depreciable Assets:				
Building	882,875	-	-	882,875
Improvements	1,550,320	-	-	1,550,320
Furniture and Equipment	1,788,588	126,233	-	1,914,821
Automobiles	105,570	78,468	-	184,038
Mobile Equipment	22,768	198,079	-	220,847
Infrastructure	264,640	-	-	264,640
Total assets	<u>5,271,110</u>	<u>402,780</u>	<u>-</u>	<u>5,673,890</u>
Less accumulated depreciation for				
Building and Improvements	1,492,154	60,831	-	1,552,985
Furniture and Equipment	1,647,599	179,409	-	1,827,008
Mobile Equipment	22,768	-	-	22,768
Automobiles	49,072	37,663	-	86,735
Infrastructure	214,228	3,778	-	218,006
	<u>3,425,821</u>	<u>281,681</u>	<u>-</u>	<u>3,707,502</u>
Net Capital Assets	<u>\$ 1,845,289</u>	<u>\$ 121,099</u>	<u>\$ -</u>	<u>\$1,966,388</u>

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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
Depreciable Asset				
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	21,450	-	45,450
Mobile Radios	9,915	-	-	9,915
Total capital assets	<u>4,398,352</u>	<u>21,450</u>	<u>-</u>	<u>4,419,802</u>
Less accumulated depreciation for:				-
Building and Improvements	1,689,317	58,445	-	1,747,762
Furniture and Equipment	373,027	12,102	-	385,129
Infrastructure	455,706	23,048	-	478,754
Automobile	17,971	9,058	-	27,029
Mobile Radios	9,915	-	-	9,915
Total accumulated depreciation	<u>2,545,936</u>	<u>102,653</u>	<u>-</u>	<u>2,648,589</u>
Net Capital Assets	<u>\$ 1,852,416</u>	<u>\$ (81,203)</u>	<u>\$ -</u>	<u>\$1,771,213</u>

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(Continued)

Note 4 - Changes in Long-Term Debt

General Fund:

The City of Hollandale, MS has an obligation to a bank bearing interest at 2.85%. The loan is payable in monthly installment of \$1,965.23, including interest, and is collateralized by vehicles.

Principle and interest payments for the years following September 30, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 21,627	\$ 1,955
2019	22,252	1,331
2020	22,895	688
2021	11,694	97
	<u>\$ 78,468</u>	<u>\$ 4,071</u>

The City of Hollandale, MS has an obligation to a bank bearing interest at 2.11%. The loan is payable in monthly installment of \$638.85, including interest, and is collateralized by equipment.

Principle and interest payments for the years following September 30, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,855	\$ 301
	<u>\$ 11,855</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 installment of \$810.10, including interest, and is collateralized by equipment.

Principle and interest payments for the years following September 30, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 35,938	\$ 697
	<u>\$ 35,938</u>	<u>\$ 697</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,677	\$ 4,027
2019	3,846	3,858
2020	4,023	3,681
2021	4,208	3,496
2022	4,401	3,303
2023 to 2027	25,230	13,290
2028 to 2032	31,582	6,938
2033 to 2037	14,189	651
	<u>\$ 91,156</u>	<u>\$ 39,244</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, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,536	\$ 3,916
2019	3,698	3,754
2020	3,868	3,584
2021	4,046	3,406
2022	4,232	3,220
2023 to 2027	24,260	13,000
2028 to 2032	30,369	6,891
2033 to 2037	14,949	715
	<u>\$ 88,958</u>	<u>\$ 38,486</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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, 2017.

The current year employer contributions used in the Schedule of Employer Allocations for 2017 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, 2017:

Total current year employer contributions per Schedule of Employer Allocations	\$ 109,672
Timing differences	(192)
Fees from Optional Retirement Plan *	1,145
Miscellaneous	(8)
Total employer contributions per audited financial statements	<u>\$ 110,617</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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, 2017 were as follows:

Total pension liability	\$4,685,723
Fiduciary Net pension	<u>(2,881,253)</u>
Net pension liability	<u>\$1,804,469</u>

(a) Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2017, 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 2017, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2017
(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, 2017, 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	27.00%	4.60%
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
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	\$ 2,366,682	\$ 1,804,469	\$ 1,337,711

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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, 2016	\$ 4,201,011	\$ 2,414,226	\$ 1,786,785
Changes for the year:			
Service cost	81,907	-	81,907
Interest	65,940	-	65,940
Different between actual and expected expense	25,924	-	25,924
Change in assumptions	40,107	-	40,107
Contribution - employer	-	109,672	(109,672)
Contribution - employee	-	60,576	(60,576)
Net investment income		23,168	(23,168)
Benefit payments, including refunds of employee contributions	270,834	270,834	-
Administrative expense	-	1,851	(1,851)
Other changes	-	927	(927)
Net Changes	484,712	467,028	17,684
Balance at June 30, 2017	<u>\$ 4,685,723</u>	<u>\$ 2,881,254</u>	<u>\$ 1,804,469</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 2017 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2017 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2017. In 2017, 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, 2017
(Continued)

Note 5 - Defined Pension Plan (Continued)

which was used prior to 2017. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2017, 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, 2017:

The table below provides a summary of the collective deferred outflows and inflows as of June 30, 2017 (measurement date):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 25,924	\$ 13,167
Changes in assumptions	40,107	3,075
Net difference between projected and actual earnings on plan investments	-	23,168
Employer contribution subsequent to the measurement date	-	-
Total	<u>\$ 66,031</u>	<u>\$ 39,410</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,	
2018	\$ 31,386
2019	28,410
2020	1,681
2021	(34,856)
Total	<u>\$ 26,621</u>

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
(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, 2017 the City had unsecured funds in the amount of \$211,011. 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 \$51,978 at September 30, 2017 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, 2017*

	Budgeted Amount			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes	\$ 954,000	\$ 954,000	\$ 990,030	\$ 36,030
License and Permits	1,000	1,000	8,326	7,326
Intergovernmental	4,000	4,000	297,415	293,415
Charges for Services	215,000	215,000	198,678	(16,322)
Fines and Forfeits	37,000	37,000	45,801	8,801
Interest Income	1,000	1,000	3,644	2,644
Miscellaneous	284,000	284,000	146,665	(137,335)
TOTAL REVENUES	1,496,000	1,496,000	1,690,559	194,559
<u>EXPENDITURES</u>				
General Government	443,000	443,000	783,732	(340,732)
Public Safety	660,000	660,000	620,744	39,256
Public Works	480,000	480,000	439,576	40,424
Culture and Recreation	17,000	17,000	1,482	15,518
TOTAL EXPENDITURES	1,600,000	1,600,000	1,845,534	(245,534)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(104,000)</u>	<u>(104,000)</u>	(154,975)	<u>(50,975)</u>
NET POSITION - BEGINNING OF YEAR			749,728	
Prior Period Adjustment			<u>(74,450)</u>	
NET POSITION - END OF YEAR			<u>\$ 520,303</u>	

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

BUDGETARY COMPARISON**PROPRIETARY FUND***For the Year Ended September 30, 2017*

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
Water and Sewer Fees	\$ 400,000	\$ 400,000	\$ 469,050	\$ 69,050
Late Charges and Connection Fees	18,800	18,800	58,846	40,046
Total Operating Revenues	418,800	418,800	527,896	109,096
EXPENDITURES				
Personnel Costs	189,000	189,000	226,553	(37,553)
Materials and Supplies	245,000	245,000	204,036	40,964
Other Expenses	98,500	98,500	53,178	45,322
Capital Outlay	97,500	97,500	4,998	92,502
Depreciation Expense	-	-	102,652	(102,652)
TOTAL EXPENDITURES	630,000	630,000	591,417	38,583
NET OPERATING INCOME	(211,200)	(211,200)	(63,521)	147,679
NON-OPERATING REVENUES (EXPENSES)				
INTEREST INCOME	200	200	1,302	1,102
INTEREST EXPENSE	-	-	(8,275)	(8,275)
TOTAL NONOPERATING REVENUES	200	200	(6,973)	(7,173.00)
NET INCOME(LOSS)	<u>\$(211,000)</u>	<u>\$ (211,000)</u>	<u>\$ (70,494)</u>	<u>\$ 140,506</u>
FUND BALANCES - BEGINNING OF YEAR			1,457,353	
Prior Period Adjustment			(29,385)	
FUND BALANCES - END OF YEAR			<u>\$ 1,357,474</u>	

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SCHEDULE OF INVESTMENTS – ALL FUNDS
For the Year Ended September 30, 2017

GENERAL FUND:

Certificate of Deposit	\$ 100,250
Silver Savings	<u>101,379</u>
Total General Fund	201,629

WATER AND SEWER FUND:

O & M Escrow	104,682
Saving	13,094
Guaranty Bank and TRust-FHA Fund	<u>22,044</u>
Total Water and Sewer Fund	<u>139,820</u>

TOTAL INVESTMENTS	<u><u>\$ 341,449</u></u>
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PRINCIPAL OFFICIALS*For the Year Ended September 30, 2017*

<u>Name</u>	<u>Title and Position</u>	<u>Years in Town Government</u>
Charles Morrow	Mayor	3
Janice Johnson-Ford	Vice Mayor	16
Josh Bogen	City Attorney	28
Helen Johnson	City Clerk	16
Jeanette Bowdre	Deputy Clerk	30
Jake Williams	Chief of Police	4
Carl Dorsey	Alderman	12
Robert Swint	Alderman	12
Brian Ballinger	Alderman	8
Ronnie Williams	Alderman	12

SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For the Year Ended September 30, 2017

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, 2017

<u>Federal Grantor/ Pass-through Grantor Program Title</u>	<u>Type of Grant</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Amount</u>	<u>(Accrued) or Deferred Revenue at September 30, 2016</u>	<u>Cash Receipts</u>	<u>Expenditures / Revenue Recognized</u>	<u>(Accrued) or Deferred Revenue at September 30, 2017</u>
FEDERAL AWARD									
United State Department of Agriculture	Rual Development Equipment	10.000			34,000	-	34,000	34,000	-
United State Department of Agriculture	Rual Development Equipment	10.000			40,100		40,100	40,100	-
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					204,509	1,006	192,234	13,281
Total Federal Awards					<u>78,350</u>	<u>203,609</u>	<u>75,106</u>	<u>266,334</u>	<u>12,381</u>
LOCAL AWARD									
Federal Emergency Management Agency (FEMA)	Fire Equipment Grant				-	32,815	-	-	32,815
City of Hollandale, MS	Rual Development Equipment	10.000			11,890	-	11,890	11,890	-
City of Hollandale, MS	Rual Development Equipment	10.000			<u>14,177</u>	<u>-</u>	<u>14,177</u>	<u>14,177</u>	<u>-</u>
Total Local Award					<u>26,067</u>	<u>32,815</u>	<u>26,067</u>	<u>26,067</u>	<u>32,815</u>
Total Award					<u>\$ 104,417</u>	<u>\$ 236,424</u>	<u>\$ 101,173</u>	<u>\$ 292,401</u>	<u>\$ 45,196</u>

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

SCHEDULE OF EXPENDITURE OF FEDERAL, STATE AND LOCAL AWARDS (Continued)

For the Year Ended September 30, 2017

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 funds that was expended for this grant was for \$192,234.

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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, 2017, 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 12, 2018.

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

Jones and Tuggle, PLLC
Certified Public Accountants
4466 Elvis Presley Blvd.
Suite 249
Memphis, TN 38116
T | 901.332.0111
F | 901.332.0504
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)*

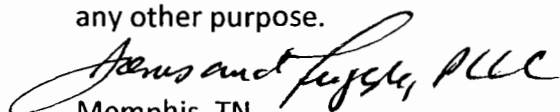
weaknesses. However, material weaknesses may exist that have not been identified.

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.



Memphis, TN

January 12, 2018

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, 2017, and have issued our reported thereon dated January 12, 2018. 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.


Memphis, TN
January 12, 2018

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**JONES &
TUGGLE**

Jones and Tuggle, PLLC
Certified Public Accountants
4466 Elvis Presley Blvd.
Suite 249
Memphis, TN 38116
T | 901.332.0111
F | 901.332.0504
www.jonesandtuggle.com