

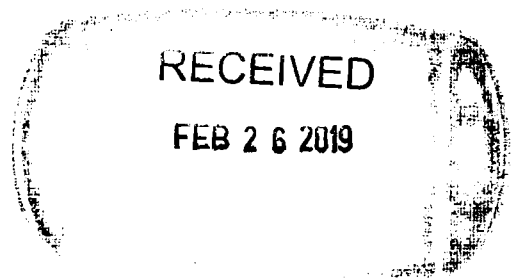


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CITY OF HOLLY SPRINGS, MISSISSIPPI

**Audited Financial Statements and
Special Reports**

September 30, 2017



CITY OF HOLLY SPRINGS, MISSISSIPPI

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**CITY OF HOLLY SPRINGS, MISSISSIPPI
FINANCIAL SECTION**

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**



WATKINS, WARD and STAFFORD
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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Holly Springs
Holly Springs, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Holly Springs, Mississippi, as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements as listed in the 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, each major fund and the aggregate remaining fund information of the City of Holly Springs, 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, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of the City's contributions 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. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

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 Holly Springs, Mississippi's basic financial statements. The schedule of surety bonds is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of surety bonds for municipal officials is the responsibility of management and was derived from and relates 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 schedule of surety bonds for municipal officials is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, on our consideration of the City of Holly Springs, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Holly Springs, Mississippi's internal control over financial reporting and compliance.

West Point, Mississippi
February 8, 2019

Watkins Ward and Stafford, PLLC

BASIC FINANCIAL STATEMENTS

CITY OF HOLLY SPRINGS, MISSISSIPPI

Statement of Net Position

September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Cash and cash equivalents	\$ 899,171	1,243,057	2,142,228
Investments	927,538	6,405,854	7,333,392
Receivables (Net):			
Accounts		2,774,222	2,774,222
Property taxes	40,084		40,084
Lease	320,187		320,187
Other	530,490	546,302	1,076,792
Notes receivable (Net)	15,000		15,000
Inventories		498,366	498,366
Prepaid items		142,374	142,374
Restricted assets:			
Investments		2,108,061	2,108,061
Capital assets, net of accumulated depreciation	14,891,037	38,823,362	53,714,399
Total Assets	\$ 17,623,507	52,541,598	70,165,105
<u>Deferred Outflow of Resources:</u>			
Deferred outflows related to pensions	340,689	963,293	1,303,982
Deferred outflows related to conservation receivables		31,674	31,674
Deferred outflows related to long-term debt		64,807	64,807
Total outflows of resources	340,689	1,059,774	1,400,463
<u>Liabilities:</u>			
Accounts payable	\$ 197,370	4,506,198	4,703,568
Accrued interest payable	22,786	213,884	236,670
Due to other entities	7,347	267,488	274,835
Other liabilities	1,402	381,819	383,221
Due to other funds	242,653	-	242,653
Payable from restricted assets:			
Deposits		1,417,350	1,417,350
Notes Payable		1,182,297	1,182,297
Noncurrent liabilities:			
Due within one year	546,777	896,220	1,442,997
Due in more than one year	7,088,122	11,264,787	18,352,909
Net pension liability	6,578,542	7,201,426	13,779,968
Total Liabilities	14,684,999	27,331,469	42,016,468

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

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CITY OF HOLLY SPRINGS, MISSISSIPPI

Statement of Net Position

September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deferred inflows of Resources:			
Deferred inflows related to pensions	406,677	280,589	687,266
Deferred inflows related to unearned income		25,786	25,786
Total deferred inflows of resources	<u>406,677</u>	<u>306,375</u>	<u>713,052</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt		25,480,058	25,480,058
Restricted for:			
Expendable:			
Debt service		2,076,982	2,076,982
Unrestricted	2,872,520	(1,593,512)	1,279,008
Total Net Position	<u>\$ 2,872,520</u>	<u>25,963,528</u>	<u>28,836,048</u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2017

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 3,219,756	31,806	43,263		(3,144,687)		(3,144,687)
Public safety	2,266,891	82,374	13,399		(2,171,118)		(2,171,118)
Public works	1,179,219	510,882	-	5,000	(663,337)		(663,337)
Cemetery	399,149	17,800	-	-	(381,349)		(381,349)
Health and welfare	4,265				(4,265)		(4,265)
Culture and recreation	420,026	39,496		-	(380,530)		(380,530)
Community development	185,303	-	160,000	-	(25,303)		(25,303)
Intergovernmental	231,458	-	-	-	(231,458)		(231,458)
Interest on long-term debt	180,563				(180,563)		(180,563)
Total Governmental Activities	8,086,630	682,358	216,662	5,000	(7,182,610)		(7,182,610)
Business-type Activities:							
Electric	26,575,307	26,563,235				(12,072)	(12,072)
Water	2,076,082	1,752,045	-	-		(324,037)	(324,037)
Sewer	872,945	1,077,692				204,747	204,747
Gas	2,614,234	2,581,245				(32,989)	(32,989)
Total Business-type Activities	32,138,568	31,974,217	-	-	-	(164,351)	(164,351)
Total Government	\$ 40,225,198	32,656,575	216,662	5,000	(7,182,610)	(164,351)	(7,346,961)
General revenues:							
Taxes:							
Current year				\$ 1,521,181			1,521,181
Prior year, penalties and interest				55,037			55,037
Intergovernmental:							
Local				3,014,324			3,014,324
State				1,882,762			1,882,762
Federal				43,263			43,263
Interest				7,070	43,955		51,025
Miscellaneous				92,234	-		92,234
Transfers				306,640	(306,640)		-
Extraordinary items					(313,598)		(313,598)
Total General Revenues and Transfers				6,922,511	(576,283)		6,346,228
Change in net assets				(260,099)	(740,634)		(1,000,733)
Net position beginning of year				3,132,619	26,704,162		29,836,781
Net position at end of year				\$ 2,872,520	25,963,528		28,836,048

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

CITY OF HOLLY SPRINGS, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Cash and cash equivalents	\$ 494,619	404,552	899,171
Investments	927,538	-	927,538
Receivables (Net):			
Property taxes	10,975	29,109	40,084
Lease receivable	320,187	-	320,187
Other	530,490	-	530,490
Notes receivable (Net)	15,000	-	15,000
Due from other funds	11,734	497,893	509,627
Total Assets	\$ <u>2,310,543</u>	<u>931,554</u>	<u>3,242,097</u>
<u>Liabilities:</u>			
Accounts payable	\$ 188,828	8,542	197,370
Due to other funds	740,895	11,385	752,280
Other liabilities	1,402	-	1,402
Due to other entities	-	7,347	7,347
Total Liabilities	<u>931,125</u>	<u>27,274</u>	<u>958,399</u>
<u>Fund Balances:</u>			
Reserved for:			
Fire protection	-	93,321	93,321
Unemployment benefits	-	20,815	20,815
Home grants	-	14	14
Cemetery	-	203,714	203,714
Community development	-	70,615	70,615
Debt service	-	515,801	515,801
Unreserved	<u>1,379,418</u>	<u>-</u>	<u>1,379,418</u>
Total Fund Balances	<u>1,379,418</u>	<u>904,280</u>	<u>2,283,698</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 2,310,543</u>	<u>931,554</u>	<u>3,242,097</u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Reconciliation of the Governmental Funds
Balance Sheet to Statement of Net Position
September 30, 2017

Total fund balance - total governmental funds \$ 2,283,698

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 14,891,037

Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds balance sheet. (22,786)

Long-term liabilities are not due and payable in the current period and, therefore not reported in the governmental funds balance sheet:

Due within one year	\$ 546,777	
Due in more than one year	7,088,122	
Pension liability	6,644,530	<u>(14,279,429)</u>

Net Position of Governmental Activities \$ 2,872,520

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

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>			
Taxes:			
Current year	\$ 1,521,181		1,521,181
Prior year, penalties and interest	55,037		55,037
Licenses and permits	31,806		31,806
Intergovernmental:			
Federal revenue	48,263		48,263
State shared:			
Sales tax	1,362,488	345,832	1,708,320
State grants	173,399		173,399
Liquor privilege tax	5,850		5,850
TVA in-lieu	109,260		109,260
Gasoline tax	7,647		7,647
General municipal aid	3,839		3,839
Homestead reimbursement	91,109		91,109
Local revenue	3,032,124		3,032,124
Charges for services	550,378		550,378
Fines and forfeits	82,374		82,374
Miscellaneous revenues	55,569	43,727	99,296
Total Revenues	<u>7,130,324</u>	<u>389,559</u>	<u>7,519,883</u>
<u>Expenditures:</u>			
General government	2,871,075		2,871,075
Public Safety:			
Police	1,127,619		1,127,619
Fire	864,868		864,868
Public Works:			
Highways and streets	534,683		534,683
Sanitation	310,297		310,297
Cemetery	372,976		372,976
Health and welfare	4,265		4,265
Culture and recreation	417,336		417,336
Community development	116	185,187	185,303
Debt service:			
Principal	2,925,164		2,925,164
Interest and fiscal charges	180,563		180,563
Intergovernmental	231,458		231,458
Total Expenditures	<u>9,840,420</u>	<u>185,187</u>	<u>10,025,607</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,710,096)</u>	<u>204,372</u>	<u>(2,505,724)</u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Other Financing Sources (Uses):</u>			
Operating transfers in	306,640	-	306,640
Proceeds from borrowing	2,200,000	-	2,200,000
Total Other Financing Sources (Uses)	<u>2,506,640</u>	<u>-</u>	<u>2,506,640</u>
Excess of Revenues Over (Under) Expenditures and Other Uses	(203,456)	204,372	916
<u>Fund Balances:</u>			
October 1, 2016	1,582,874	699,908	2,282,782
September 30, 2017	\$ <u><u>1,379,418</u></u>	<u><u>904,280</u></u>	<u><u>2,283,698</u></u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Government Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$ 916
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current year.	61,689
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.	(693,650)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	725,164
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The accompanying notes to financial statements are an integral part of these financial statements.

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Government Funds to the Statement of Activities (Continued)
For the Year Ended September 30, 2017

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources, therefore, accrued interest expense is not reported as an expenditure in governmental funds.

4,093

Change in long term compensated absences

(26,888)

Change in unfunded pension liability

(331,423)

Change in Net Position of Governmental Activities

\$ (260,099)

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Fund Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities Enterprise Funds				
	June 30, 2017	September 30, 2017			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,201,412	853	8,442	32,350	1,243,057
Investments	5,558,785	468,729	378,340	-	6,405,854
Receivables (Net):					
Accounts	2,774,222	-	-	-	2,774,222
Other	543,138	-	-	-	543,138
Due from other departments	746,464	76,891	203,177	-	1,026,532
Due from city	-	25,000	225,000	-	250,000
Inventories	369,700	60,142	12,441	56,083	498,366
Prepaid items	51,530	75,901	5,876	9,067	142,374
Other current assets	-	1,244	730	1,190	3,164
Total Current Assets	<u>11,245,251</u>	<u>708,760</u>	<u>834,006</u>	<u>98,690</u>	<u>12,886,707</u>
Restricted Assets:					
Bond sinking funds	568,720	422,627	45,062	1,040,573	2,076,982
Investments	31,079	-	-	-	31,079
Total Restricted Assets	<u>599,799</u>	<u>422,627</u>	<u>45,062</u>	<u>1,040,573</u>	<u>2,108,061</u>
Non-current Assets:					
Capital assets:					
Land	157,020	62,092	-	1,118	220,230
Construction in progress	3,511,906	166,022	750	1,158,550	4,837,228
Other capital assets, net of accumulated depreciation	14,891,365	8,184,450	5,082,984	5,607,105	33,765,904
Total Noncurrent Assets	<u>18,560,291</u>	<u>8,412,564</u>	<u>5,083,734</u>	<u>6,766,773</u>	<u>38,823,362</u>
Total Assets	<u>\$ 30,405,341</u>	<u>9,543,951</u>	<u>5,962,802</u>	<u>7,906,036</u>	<u>53,818,130</u>
Deferred Outflows of Resources					
Deferred outflows related to the net pension liability	802,948	61,387	25,496	73,462	963,293
Deferred outflows related to conservation receivables	31,674	-	-	-	31,674
Deferred outflows related to long-term debt	-	50,289	10,812	3,706	64,807
Total Deferred Outflows of Resources	834,622	111,676	36,308	77,168	1,059,774

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Fund Net Position (Continued)
Proprietary Funds
September 30, 2017

	Business-type Activities Enterprise Funds				
	June 30, 2017	September 30, 2017			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
Liabilities					
Current liabilities:					
Accounts payable	\$ 4,506,198	-	-	-	4,506,198
Customer deposits	1,181,346	67,045	-	168,959	1,417,350
Due to other departments	-	113,744	23,139	1,407,137	1,544,020
Current portion of long-term debt	509,080	174,126	137,212	75,802	896,220
Notes payable	1,182,297	-	-	-	1,182,297
Accrued interest payable	11,445	64,762	20,430	117,247	213,884
Other current liabilities	263,475	35,575	19,363	63,406	381,819
Total Current Liabilities	7,653,841	455,252	200,144	1,832,551	10,141,788
Noncurrent liabilities:					
Net pension liability	4,770,587	1,012,863	438,858	979,118	7,201,426
Long-term debt	2,169,999	3,807,190	1,249,954	4,037,644	11,264,787
Total Noncurrent Liabilities	6,940,586	4,820,053	1,688,812	5,016,762	18,466,213
Total Liabilities	14,594,427	5,275,305	1,888,956	6,849,313	28,608,001
Deferred Inflows of Resources					
Deferred inflows related to the net pension liability	40,661	97,834	48,605	93,489	280,589
Deferred inflows related to unearned income	25,786	-	-	-	25,786
Total Deferred Outflows of Resources	66,447	97,834	48,605	93,489	306,375
Net Positions					
Invested in capital assets, net of related debt	14,698,915	4,431,248	3,696,568	2,653,327	25,480,058
Restricted:					
Debt service	568,720	422,627	45,062	1,040,573	2,076,982
Unrestricted (deficit)	1,311,454	(571,387)	319,919	(2,653,498)	(1,593,512)
Total Net Position	\$ 16,579,089	4,282,488	4,061,549	1,040,402	25,963,528

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business - type Activities Enterprise Funds				
	June 30, 2017	September 30, 2017			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
Operating Revenues:					
Charges for services	\$ 26,563,235	1,752,045	1,077,692	2,581,245	31,974,217
Operating Expenses:					
Power purchased	19,169,968	-	-	-	19,169,968
Gas purchased	-	-	-	1,397,115	1,397,115
Operation and maintenance	4,178,037	1,210,791	592,035	487,550	6,468,413
Depreciation	1,276,184	428,150	143,110	207,950	2,055,394
Taxes	1,880,991	276,680	93,486	343,303	2,594,460
Total Operating Expenses	26,505,180	1,915,621	828,631	2,435,918	31,685,350
Operating Income (Loss)	58,055	(163,576)	249,061	145,327	288,867
Nonoperating Revenues:					
Interest revenue	20,723	5,799	1,445	15,988	43,955
Total Nonoperating Revenues	20,723	5,799	1,445	15,988	43,955
Nonoperating Expenses:					
Interest expense	69,055	149,251	43,581	178,179	440,066
Amortization	-	3,410	733	137	4,280
Miscellaneous	1,072	7,800	-	-	8,872
Total Nonoperating Expenses	70,127	160,461	44,314	178,316	453,218
Net Income (Loss) before Other	8,651	(318,238)	206,192	(17,001)	(120,396)
Other					
Transfers	-	-	-	(306,640)	(306,640)
Extraordinary item - loss on retirement of meters	(313,598)	-	-	-	(313,598)
Total Other	(313,598)	-	-	(306,640)	(620,238)
Changes in Net Position	(304,947)	(318,238)	206,192	(323,641)	(740,634)
Net Position - Beginning of Year	16,884,036	4,600,726	3,855,357	1,364,043	26,704,162
Net Position - End of Year	\$ 16,579,089	4,282,488	4,061,549	1,040,402	25,963,528

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

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities				
	Enterprise Funds				
	June 30, 2017	September 30, 2017			Total
	Electric	Water	Sewer	Gas	Proprietary
	Department	Department	Department	Department	Funds
Cash Flows from Operating Activities:					
Cash received from customers	\$ 30,930,241	1,895,689	839,085	1,510,690	35,175,705
Other operating cash receipts	371,731	38,842	16,835	36,343	463,751
Cash payments to suppliers for goods and services	(19,173,214)	-	-	(1,397,115)	(20,570,329)
Operating expenses	(4,178,037)	(1,210,791)	(592,035)	(1,884,665)	(7,865,528)
Taxes	(1,880,991)	(276,680)	(17,474)	(36,663)	(2,211,808)
Net Cash Provided by (Used in) Operating Activities	6,069,730	447,060	246,411	(1,771,410)	4,991,791
Cash Flows from Noncapital Financing Activities:					
Cash paid to City	-	-	-	(306,640)	(306,640)
Net Cash Used in Noncapital Financing Activities	-	-	-	(306,640)	(306,640)
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets (net of removal and salvage)	(886,829)	(242,839)	(455,782)	(546,689)	(2,132,139)
Proceeds from borrowing	245,500	120,975	548,277	-	914,752
Principal payment on long-term debt	(1,285,174)	(170,392)	(42,359)	(49,081)	(1,547,006)
Change in sinking funds	(243,008)	(70,031)	(9,576)	(197,454)	(520,069)
Interest paid	(69,437)	(152,998)	(34,620)	(182,265)	(439,320)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(2,238,948)	(515,285)	5,940	(975,489)	(3,723,782)
Cash Flows from Investing Activities:					
Change in investments	(3,721,351)	67,193	(251,264)	3,011,406	(894,016)
TVA advances	(28,014)	-	-	-	(28,014)
Net Cash Provided by (Used in) from Investing Activities	(3,749,365)	67,193	(251,264)	3,011,406	(922,030)
Net Increase (Decrease) in Cash and Cash Equivalents	81,417	(1,032)	1,087	(42,133)	39,339
Cash and Cash Equivalents at Beginning of Year	1,119,995	1,885	7,355	74,483	1,203,718
Cash and Cash Equivalents at End of Year	\$ 1,201,412	853	8,442	32,350	1,243,057

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities Enterprise Funds				
	June 30, 2017	September 30, 2017			Total
	Electric Department	Water Department	Sewer Department	Gas Department	Proprietary Funds
Reconciliation of Income from Operations to Net Cash Provided by (Used in) Operating Activities:					
Income (loss) from operations	\$ 58,055	(163,576)	249,061	145,327	288,867
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation	1,294,011	525,746	205,529	207,950	2,233,236
Loss of retirement of meters	(313,598)	-	-	-	(313,598)
Change in net pension liability	382,121	(183,746)	(79,690)	(177,657)	(58,972)
Other adjustments	(1,072)	(7,800)	-	-	(8,872)
(Increase) Decrease in current assets:					
Receivables	1,352,592	-	-	-	1,352,592
Due from other departments	2,050,493	245,172	(95,970)	-	2,199,695
Inventories	55,852	(10,353)	(1,048)	(10,401)	34,050
Prepaid expenses	(12,689)	(57,378)	1,557	11,587	(56,923)
Other current assets	-	(95)	(541)	5,021	4,385
Deferred outflows of resources	114,151	141,323	55,141	151,878	462,493
Increase (Decrease) in current liabilities:					
Accounts payable and other liabilities	1,303,592	-	-	-	1,303,592
Due to other departments	-	(121,057)	(126,339)	(2,185,555)	(2,432,951)
Customer deposits	79,099	1,355	-	4,780	85,234
Other current liabilities	-	(3)	6,334	1	6,332
Deferred inflows of resources	(292,877)	77,472	32,377	75,659	(107,369)
Net Cash Provided by (Used in) Operating Activities	\$ 6,069,730	447,060	246,411	(1,771,410)	4,991,791

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Fund Net Position
Fiduciary Funds
September 30, 2017

	<u>Agency Funds</u>
<u>Assets:</u>	
Receivables (net):	
Property taxes	\$ <u>104,312</u>
Total Assets	<u>104,312</u>
<u>Liabilities:</u>	
Other liabilities	<u>104,312</u>
Total Liabilities	<u>104,312</u>
<u>Net Position</u>	
Held in Trust for Others	\$ <u><u>-</u></u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Fund Net Position
Fiduciary Funds
September 30, 2017

	<u>Agency Funds</u>
<u>Additions:</u>	
Property taxes	\$ 4,651,553
Total Additions	<u>4,651,553</u>
<u>Deductions:</u>	
Payments to school district	<u>4,651,553</u>
Total Deductions	<u>4,651,553</u>
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	<u>\$ -</u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Holly Springs, Mississippi, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow (1) all GASB pronouncements and (2) all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinion, and Accounting Research Bulletins (ARB), no matter when issued, except those that conflict with a GASB pronouncement. The more significant of the government's accounting policies are described below.

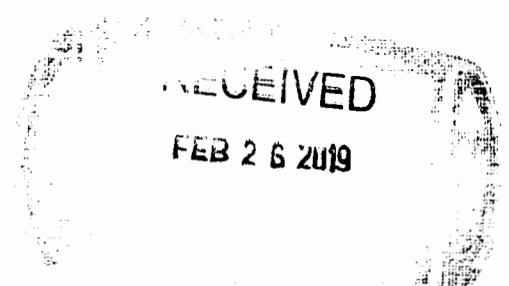
a. Financial Reporting Entity

The City of Holly Springs, located in Marshall County, Mississippi, was incorporated in 1837, and operates under an elected Mayor-Board of Aldermen form of government. The City provides the following services to the citizenry: general administration; electricity, water, sewer, gas and garbage disposal; police and fire protection; economic development; street repair and library services. The primary sources of revenues are property taxes, utility billings and sales taxes. Various criteria are applied in order to determine the various funds and activities which should be reported as part of the City. Such criteria includes oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and fiscal responsibility, and inter-agency relationships. All agencies meeting the above criteria are included in the financial statements of the City. As required by generally accepted accounting principles, these financial statements present the entities for which the government is considered to be financially accountable. All departments have a September 30 year-end except for the Electric Department which has a June 30 year end in compliance with Tennessee Valley Authority's reporting regulations.

Included within the reporting entity:

City of Holly Springs Electric Department. The Electric Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

City of Holly Springs Water Department. The Water Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.



CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

City of Holly Springs Sewer Department. The Sewer Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

City of Holly Springs Gas Department. The Gas Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

Excluded from the reporting entity:

Holly Springs School District. The Holly Springs School District's governing board is appointed primarily by the City's governing body (four of the five members). The City does not hold title to any of the school's assets, nor does it have any right to the school's surpluses. The City does not have the ability to exercise influence over daily operations or approve budgets.

City of Holly Springs Housing Authority. The Housing Authority's governing board is appointed by the City's governing body. The City does not hold title to any of the Housing Authority's assets, nor does it have any rights to its surpluses. The City does not have the ability to exercise influence over daily operations or approve budgets.

b. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. The net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Government-wide and Fund Financial Statements (Continued)

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments.

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed. See Note 1 for information describing restricted assets.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following Governmental Funds:

- a) *General Fund* – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.
- b) *Special Revenue Funds* – Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.
- c) *Debt Service Funds* – Debt Service Funds account for the servicing of general long-term debt.
- d) *Capital Projects Funds* – Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects (other than those financed by proprietary funds).

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following Proprietary Funds:

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds (Continued)

- a) *Enterprise Funds* – Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, primarily through user charges or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent.

- a) *Agency Funds* – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus.

d. Major Funds

For 2017, the City reports the following major Governmental Funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following major Enterprise Funds:

Electric Department – accounts for the operating activities of the City's electric utility services.

Water Department – accounts for the operating activities of the City's water utility services.

Sewer Department – accounts for the operating activities of the City's sewer and sewer treatment facility utility services.

Gas Department – accounts for the operating activities of the City's natural gas utility services.

e. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investments

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

g. Inventories

Inventories of the enterprise funds are stated at cost as determined by the moving average method. The governmental funds record inventorable items as expenses when purchased, thus inventories of supplies on hand are not reported as assets.

h. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

i. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical costs or estimated historical costs based on appraisals or deflated current replacement costs. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Capital assets are defined by the city as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisitions and construction are reflected as expenditures in the governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Capital Assets (Continued)

The following schedule details the capitalization thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

k. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Compensated Employee Absences

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are lost. However, additional days still accrue and may be credited to service in determining retirement benefits. Employees are completely vested in vacation days up to the maximum in that they can take them or be paid for them upon termination. Sick days may be taken only for bona fide sickness and are lost upon termination of employment.

The City accrues compensated absences when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as accrued liabilities. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned during the year.

m. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Mississippi Municipal Liability Plan to cover such losses. The City is currently a defendant in several law suits in various stages. While the litigation is at too early a stage to accurately evaluate, legal representatives for the Mississippi Municipal Liability Plan anticipate the plan covering any judgment that may be assessed against it. Settled claims have not exceeded coverage in any of the past three years.

n. Environmental Risk for Possible Clean-up from City-owned Facilities

As a distributor of water, sewer, gas, and electricity, there is a possibility that environmental conditions may arise which would require the City and its component unites to incur clean-up costs. The likelihood of such an event or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the City's financial position or future cash flows.

o. Economic Dependency

The City depends on financial resources flowing from, or associated with, the State of Mississippi and the collection of local property taxes. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and appropriations, and the City is reliant on the continuing existence of an adequate local tax base to fund the City's operations.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the city:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used for the specific purposes pursuant to constraints imposed by a formal action of the Board of Selectmen, the City's highest level of decision-making authority. This formal action is a resolution approved by the Board of Selectmen.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is a residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Board of Selectmen pursuant to authorization established by the City's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for doubtful accounts and depreciation.

NOTE 2: PROPERTY TAX

Taxes are levied in September each year and are payable in the subsequent year between January 1 and February 1. Property taxes attach an enforceable lien on property as of January 1 of the year subsequent to that to which the tax applies.

The tax rates applicable to 2016 are as follows:

<u>City of Holly Springs</u>	<u>Mills</u>
General fund	35.77
Fire protection	.21
Police Bond	<u>3.04</u>
	<u>39.02</u>
 <u>Separate School District</u>	
District maintenance	54.00
School special	1.00
School bond	12.65
School note	<u>3.00</u>
	<u>70.65</u>
Total	<u>109.67</u>

All real and personal property taxes are collected by Marshall County and remitted to the City the month following collection. Collected but unremitted taxes as of September 30, 2017, have been properly accrued in the financial statements.

- a. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- b. The budget as submitted is reviewed by the Mayor and Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 30.
- c. The budget is formally revised during July of each year or anytime a deficit is indicated.
- d. Budgetary comparisons are employed by management as a management control device during the year for all funds.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 2: PROPERTY TAX (Continued)

- e. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

NOTE 3: BUDGET POLICY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 30, the City Clerk submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and expenditures and the means of financing them.
- b. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- c. The budget as submitted is reviewed by the Mayor and Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 30.
- d. The budget is formally revised during July of each year or anytime a deficit is indicated.
- e. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- f. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 3: BUDGET POLICY (Continued)

All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

NOTE 4: CASH AND INVESTMENTS

Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

All of the City's funds eligible to be included in the state's collateral pool program were properly included and fully collateralized as of September 30, 2017.

Investments

The City has certificates of deposits with local banks which it classifies as "Investments". The purpose of these investments is primarily to fund bond ordinance requirements and various construction projects. All certificates of deposit are purchased with a maturity of twelve months from the date of purchase.

NOTE 5: CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

	<u>9/30/2017</u>				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>De- creases</u>	<u>Adjust- ments</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>					
Land	\$ 1,020,054	-	-	-	1,020,054
Buildings and equipment	11,010,438	61,689	-	-	11,072,127
Streets	10,086,303	-	-	-	10,086,303
Less accumulated depreciation	(6,593,797)	(693,650)	-	-	(7,287,447)
Governmental Activities Capital Assets, Net	\$ 15,522,998	(631,961)	-	-	14,891,037

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION (CONTINUED)

	<u>9/30/2017</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>					
Non-depreciable Capital Assets:					
Land	220,230	-	-	-	220,230
Construction in progress	9,115,102	(5,100,795)	-	822,921	4,837,228
Total Non-depreciable Capital Assets	9,335,332	(5,100,795)	-	822,921	5,057,458
<u>Depreciable Capital Assets</u>					
Buildings and equipment	7,685,872	916,998	-	-	8,602,870
Distribution and collection systems	54,291,164	5,629,799	(471,912)	-	59,449,051
Total Depreciable Capital Assets	61,977,036	6,546,797	(471,912)	-	68,051,921
Accumulated Depreciation					
Buildings and equipment	(6,343,340)	(438,021)	-	160,671	(6,620,690)
Distribution and collection systems	(26,044,572)	(1,814,346)	507,189	(313,598)	(27,665,327)
Total Accumulated Depreciation	(32,387,912)	(2,252,367)	507,189	(152,927)	(34,286,017)
Total Depreciable Capital Assets, Net	\$ 29,589,124	4,294,430	35,277	(152,927)	33,765,904
Total Capital Assets, Net	\$ 38,924,456	(806,365)	35,277	669,994	38,823,362

General infrastructure assets have been recorded and depreciated since the implementation of GASB 34 on October 1, 2002.

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	<u>9/30/17</u>
General government	\$ 50,251
Public Safety:	
Police	93,747
Fire	186,550
Cemetery	26,173
Street	334,239
Recreation	2,690
Total Governmental Activities Depreciation Expense	\$ 693,650

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION (CONTINUED)

Business-type Activities:

Electric	\$ 1,276,184
Water	428,150
Sewer	143,110
Gas	<u>207,950</u>
Total Business-type Activities Depreciation Expense	<u>\$ 2,055,394</u>

In addition to the above amounts charged to depreciation expense in the Electric Department, utility accounting requires certain depreciation to be charged to building and transportation expenses. The net amount in 2017 is \$17,827.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financials for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions/ Proceeds</u>	<u>Adjustments</u>	<u>Reductions/ Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government Activities:						
Bonds payable:						
General Obligation						
Bonds - Police Station	\$ 2,455,000	-	-	(2,455,000)	-	-
General Obligation						
Bonds - Street	1,395,000	-	-	(105,000)	1,290,000	110,000
General Obligation						
Bonds - Police						
Station Refunding	-	2,200,000	-	-	2,200,000	10,000
Total	<u>3,850,000</u>	<u>2,200,000</u>	<u>-</u>	<u>(2,560,000)</u>	<u>3,490,000</u>	<u>120,000</u>
Notes Payable:						
C.I.T. Equipment	344,551	-	-	(25,570)	318,981	26,282
TIF (Kenlan)	79,000	-	-	(25,000)	54,000	25,000
State aid	351,569	-	-	(91,041)	260,528	92,237
Mississippi Development						
Authority	2,850,000	-	-	(75,000)	2,775,000	150,000
Total	<u>3,625,120</u>	<u>-</u>	<u>-</u>	<u>(216,611)</u>	<u>3,408,509</u>	<u>293,519</u>
Capital Lease Obligations:						
Fire truck	97,172	-	-	(13,587)	83,585	14,192
Fire truck	83,976	-	-	(41,157)	42,819	42,819
Pierce Arrow Fire Truck	395,405	-	-	(26,527)	368,878	27,551
Street Compactor	20,011	-	-	(20,011)	-	-
Storm Warning System	63,589	-	-	(20,351)	43,238	21,185
Police Dodge Chargers	54,430	-	-	(26,920)	27,510	27,510
Total	<u>714,583</u>	<u>-</u>	<u>-</u>	<u>(148,553)</u>	<u>566,030</u>	<u>133,257</u>
Compensated absences	143,472	26,888	-	-	170,360	-
Total Governmental Activities	<u>\$ 8,333,175</u>	<u>2,226,888</u>	<u>-</u>	<u>(2,925,164)</u>	<u>7,634,899</u>	<u>546,776</u>
Business-type Activities:						
Bonds payable:						
Electric department	\$ 2,901,000	-	-	(455,000)	2,446,000	471,000
Water department	4,030,733	-	-	(137,700)	3,893,033	146,245
Sewer department	881,248	-	-	(33,048)	848,200	34,500
Gas department	4,162,527	-	-	(49,081)	4,113,446	75,802
Total	<u>11,975,508</u>	<u>-</u>	<u>-</u>	<u>(674,829)</u>	<u>11,300,679</u>	<u>727,547</u>
Capital Lease Obligations						
Electric department	-	245,500	-	(12,421)	233,079	38,080
Water department	-	120,975	-	(32,692)	88,283	27,881
Sewer department	-	548,277	-	(9,311)	538,966	102,712
Total	<u>-</u>	<u>914,752</u>	<u>-</u>	<u>(54,424)</u>	<u>860,328</u>	<u>168,673</u>
Total Business - Type Activities	<u>\$ 11,975,508</u>	<u>914,752</u>	<u>-</u>	<u>(729,253)</u>	<u>12,161,007</u>	<u>896,220</u>

On September 28, 2017 the City of Holly Springs issued \$2,200,000 in General Obligation Building Refunding Bonds, Series 2017 with an average interest rate of 2.20%. The net proceeds were used to refund the outstanding General Obligation Bonds, Series 2008 (Police Station).

CITY OF HOLLY SPRINGS, MISSISSIPPI

Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Detail of bonds, notes and capital leases:

	Date Issued	Final Maturity	Range Interest Rates at Issue Date	Original Amount	Balance at 9/30/2017	
					Governmental Activities	Business Activities
General Obligations Bonds:						
Police refunding	9/28/2017	3/1/2028	various	2,200,000	2,200,000	-
Water and sewer	7/2/2012	4/1/2032	various	2,125,000	-	1,575,000
Streets	8/1/2015	8/1/2027	various	1,500,000	1,290,000	-
Notes Payable:						
C.I.T. Equipment	9/30/2008	12/1/2027	3.000%	522,174	318,981	-
TIF (Kenlan)	12/1/2008	12/1/2018	5.000%	225,000	54,000	-
State aid	7/1/2010	7/1/2020	3.000%	873,000	260,528	-
Mississippi Development Authority	3/1/2015	3/1/2025	0.000%	3,000,000	2,775,000	-
Capital Lease Obligations:						
Fire truck	8/5/2012	8/8/2022	4.392%	140,000	83,585	-
Fire Truck	5/7/2008	5/7/2018	4.040%	140,000	42,819	-
Pierce Arrow Fire Truck	4/5/2013	4/5/2028	3.860%	469,216	368,878	-
Storm Warning System	4/10/2014	4/10/2019	4.100%	124,875	43,238	-
Police Dodge Chargers	4/8/2014	4/8/2018	2.190%	106,551	27,510	-
Capital Lease Obligations:						
Brush Cutter - Electric	12/15/2016	12/15/2022	3.25%	245,500		233,079
Two (2) Ford F-150's - Water	4/28/2017	4/28/2020	5.45%	120,975		88,283
Vacuum Truck - Sewer	12/22/2016	12/22/2021	2.39%	409,075		409,075
Truck Camera System - Sewer	1/24/2017	1/24/2022	2.39%	129,891		129,891
Revenue Bonds:						
Electric	12/20/2013	11/1/2017	2.00%	1,350,000		281,000
Electric	11/3/2015	5/1/2027	Various	2,195,000		2,165,000
Rural Development - Water	5/27/2008	5/27/2043	4.50%	571,900		507,494
Rural Development - Water	2/25/2015	2/25/2050	3.00%	2,181,450		2,125,539
Rural Development - Sewer	6/25/2009	6/25/2044	4.50%	5,974,830		533,200
Rural Development - Gas	10/6/2010	10/6/2045	3.75%	2,850,000		2,577,396
Rural Development - Gas	5/19/2015	5/19/2050	3.50%	1,565,000		1,536,050
					\$ 7,464,539	12,161,007

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements of bonds, notes and capital leases are as follows:

Governmental Activities:

Fiscal Year Ending 9/30	General Obligation Bonds		Fiscal Year Ending 9/30	General Obligation Bonds		Fiscal Year Ending 9/30	Capital Leases	
	Principal	Interest		Principal	Interest		Principal	Interest
2018	10,000	42,384	2018	110,000	36,488	2018	133,258	21,601
2019	195,000	44,647	2019	115,000	33,188	2019	65,491	16,706
2020	195,000	41,575	2020	120,000	29,738	2020	45,201	14,037
2021	205,000	37,575	2021	120,000	26,138	2021	47,037	12,203
2022	210,000	33,425	2022	125,000	22,538	2022	48,948	10,291
2023-2028	1,385,000	101,937	2023-2027	700,000	59,475	2023-2028	226,095	30,669
	<u>\$ 2,200,000</u>	<u>301,543</u>		<u>\$ 1,290,000</u>	<u>207,565</u>		<u>\$ 566,030</u>	<u>105,507</u>

Fiscal Year Ending 9/30	Notes Payable CIT Equipment		Fiscal Year Ending 9/30	Notes Payable TIF (Kenlan) Bonds		Fiscal Year Ending 9/30	Notes Payable State Aid	
	Principal	Interest		Principal	Interest		Principal	Interest
2018	26,056	8,883	2018	26,000	1,897	2018	94,921	6,236
2019	26,824	8,115	2019	28,000	648	2019	95,411	3,021
2020	27,410	7,979	2020	-	-	2020	70,196	2,000
2021	28,117	8,329						
2022	28,849	6,092						
2023-2028	181,725	19,223						
	<u>\$ 318,981</u>	<u>58,621</u>		<u>\$ 54,000</u>	<u>2,545</u>		<u>\$ 260,528</u>	<u>11,257</u>

Fiscal Year Ending 9/30	Notes Payable Mississippi Development Authority:	
	Principal	Interest
2018	150,000	-
2019	150,000	-
2020	150,000	-
2021	150,000	-
2022	150,000	-
2023-2025	2,025,000	-
	<u>\$ 2,775,000</u>	<u>-</u>

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements of bonds, notes and capital leases are as follows:

Business Type Activities;

Electric Revenue Bond			Water Revenue Bond			Gas Revenue Bond		
Fiscal Year Ending 6/30	Principal	Interest	Fiscal Year Ending 9/30	Principal	Interest	Fiscal Year Ending	Principal	Interest
2018	471,000	56,243	2018	50,245	86,603	2018	75,802	150,414
2019	195,000	50,750	2019	51,914	84,935	2019	80,735	147,561
2020	195,000	46,850	2020	53,640	83,209	2020	83,693	144,603
2021	205,000	42,950	2021	55,425	81,423	2021	86,759	141,537
2022	210,000	37,825	2022	57,272	79,576	2022	88,814	139,482
2023-2027	1,170,000	103,138	2023-2050	2,364,537	1,178,469	2023-2050	3,697,643	2,114,543
	<u>\$ 2,446,000</u>	<u>337,756</u>		<u>\$ 2,633,033</u>	<u>1,594,215</u>		<u>\$ 4,113,446</u>	<u>2,838,140</u>

Sewer Revenue Bond			General Obligation			Capital Leases		
Fiscal Year Ending 9/30	Principal	Interest	Fiscal Year Ending 9/30	Principal	Interest	Fiscal Year Ending 9/30	Principal	Interest
2018	10,500	23,994	2018	120,000	47,420	2018	168,673	17,720
2019	10,973	23,521	2019	85,000	45,020	2019	172,322	20,469
2020	11,467	23,028	2020	90,000	43,001	2020	177,727	15,095
2021	11,982	22,512	2021	90,000	40,864	2021	150,630	9,531
2022	12,522	21,973	2022	95,000	38,501	2022	154,642	6,955
2023-2044	475,756	283,116	2023-2032	1,095,000	212,452	2023-2032	36,334	210
	<u>\$ 533,200</u>	<u>398,144</u>		<u>\$ 1,575,000</u>	<u>427,258</u>		<u>\$ 860,328</u>	<u>69,980</u>

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 7: TRANSFERS IN/OUT

The following schedule reconciles transfers made among the Municipal Funds for the fiscal year ended September 30, 2017:

	<u>Transfers in</u>	<u>Transfers Out</u>
Governmental Activities:		
General fund	\$ 306,640	-
Business-type Activities:		
Gas Department	-	306,640
	<u>\$ 306,640</u>	<u>306,640</u>

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

	<u>Due From</u>	<u>Due To</u>
Governmental Activities:		
General fund	\$ 11,734	740,895
Non-major governmental funds	<u>497,893</u>	<u>11,385</u>
	<u>509,627</u>	<u>752,280</u>
Business-type Activities:		
Water Department	25,000	
Sewer Department	<u>225,000</u>	-
	<u>250,000</u>	-
Due Other Entities:	-	7,347
	<u>\$ 759,627</u>	<u>759,627</u>

NOTE 9: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. 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. 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 are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2017 and 2016, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$820,180, \$871,981, and \$865,581, respectively, which equaled the required contributions for each year.

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for the Year Ended September 30, 2017

General Information about the Pension Plan

At September 30, 2017, the City reported a liability of \$13,779,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2017 net pension liability was 0.039574%.

For the year ended September 30, 2017, the City recognized pension expense of \$1,467,585. At September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 267,032	65,738
Net differences between projected and actual earnings on pension plan investments	179,790	115,673
Changes in assumptions	439,307	28,029
Changes in proportion and differences between contributions and proportionate share of contributions	23,570	477,826
City contributions subsequent to the measurement date	394,283	-
	<u>\$ 1,303,982</u>	<u>687,266</u>

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

\$394,283 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2018	\$ 155,698
2019	111,727
2020	76,550
2021	(121,542)
2022	-
Thereafter	222,432

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

Inflation	3.00%
Salary increases	3.75 – 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with 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, 2012 to June 30, 2016. The experience report is dated April 18, 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.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Assets	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		(0.00)	
Total	<u>100.00</u>	%		

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.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the 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:

	<u>Current Discount Rate (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>Current Discount Rate (8.75%)</u>
City's proportionate share of the net pension liability	\$ 17,933,366	\$ 13,779,968	\$ 10,332,473

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HOLLY SPRINGS, MISSISSIPPI
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
Revenues:				
Taxes:				
Current year	\$ 1,425,000	1,425,000	1,521,181	96,181
Prior year, penalties and interest	40,000	40,000	55,037	15,037
Licenses and permits	40,000	40,000	31,806	(8,194)
Intergovernmental:				
Local revenue	3,247,462	3,247,462	3,032,124	(215,338)
State revenue	1,920,940	1,920,940	1,753,592	(167,348)
Federal revenue	508,630	508,630	48,263	(460,367)
Charges for services	585,000	585,000	550,378	(34,622)
Fines and forfeits	150,000	150,000	82,374	(67,626)
Miscellaneous revenues	165,000	165,000	55,569	(109,431)
Total Revenues	<u>8,082,032</u>	<u>8,082,032</u>	<u>7,130,324</u>	<u>(951,708)</u>
Expenditures:				
General government	3,989,023	3,989,023	2,871,075	1,117,948
Public Safety:				
Police	1,192,448	1,192,448	1,127,619	64,829
Fire	1,110,826	1,110,826	864,868	245,958
Public Works:				
Highways and streets	639,429	639,429	534,683	104,746
Sanitation	325,489	325,489	310,297	15,192
Cemetery	322,100	322,100	372,976	(50,876)
Health and welfare	8,975	8,975	4,265	4,710
Culture and recreation	557,662	557,662	417,336	140,326
Community development	0	0	116	(116)
Debt Service:				
Principal	0	0	2,925,164	(2,925,164)
Interest and fiscal charges	0	0	180,563	(180,563)
Intergovernmental	262,720	262,720	231,458	31,262
Total Expenditures	<u>8,408,672</u>	<u>8,408,672</u>	<u>9,840,420</u>	<u>(1,431,748)</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(326,640)</u>	<u>(326,640)</u>	<u>(2,710,096)</u>	<u>(2,383,456)</u>

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
<u>Other Financing Sources (Uses):</u>				
Operating transfers in	306,640	306,640	306,640	0
Proceeds from borrowing			2,200,000	2,200,000
Total Other Financing Sources (Uses)	306,640	306,640	2,506,640	2,200,000
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	(20,000)	(20,000)	(203,456)	(183,456)
<u>Fund Balances:</u>				
October 1, 2016	1,582,874	1,582,874	1,582,874	0
September 30, 2017	\$ 1,562,874	1,562,874	1,379,418	(183,456)

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City's proportion of the net pension liability	0.039574%	0.085961%	0.089731%							
City's proportionate share of the net pension liability	\$ 13,779,968	14,672,084	12,672,143							
City's covered-employee payroll	5,405,287	5,827,010	5,569,041							
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	255%	252%	228%							
Plan fiduciary net position as a percentage of the total pension liability	61%	57%	62%							

*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to Required Supplementary Information are an integral part of this schedule.

CITY OF HOLLY SPRINGS
Schedule of City's Contributions
PERS
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 820,180	871,981	865,581							
Contributions in relation to the contractually required contribution	820,180	871,981	865,581							
Contributions deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
City's covered-employee payroll	5,207,492	5,536,385	5,495,752							
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%							

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to Required Supplementary Information are an integral part of this schedule.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Required Supplementary Information

Budgetary Comparison Schedule

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

NOTE 2 - BUDGET AMENDMENTS AND REVISIONS

The budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the board of selectmen. By statute, final budget revisions must be approved on or before the date established by the State of Mississippi. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

NOTE 1 - CHANGES OF ASSUMPTIONS

- 2017
 - The expectations of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Required Supplementary Information

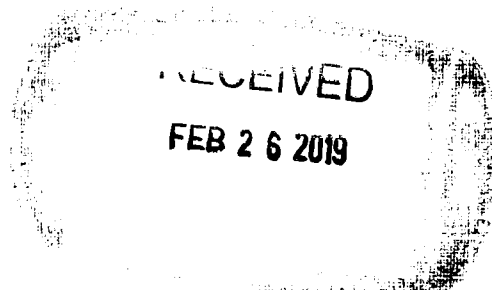
NOTE 2 – CHANGES IN BENEFIT PROVISIONS

- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

NOTE 3 - METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.75% to 19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation



OTHER INFORMATION

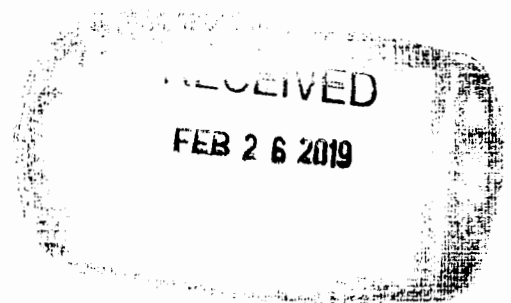
CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Kelvin O. Buck	Mayor	Travelers Casualty and Surety Company	\$ 75,000
Bernita J. Fountain-Lowe	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Sharon D. Gipson	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Mark Miller	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Christy Owens	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Tim Liddy	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Belinda Hollowell	City Clerk	Travelers Casualty and Surety Company	\$100,000
Jerrica Jones	Payroll Clerk	Western Surety	\$ 50,000
Mattie Richmond	Accounts Payable Clerk	Travelers Casualty and Surety Company	\$ 50,000
Dwight Harris	Police Chief	FCCI Insurance	\$ 50,000
Matilda Collins	Court Clerk	Travelers Casualty and Surety Company	\$ 25,000

COMPLIANCE SECTION

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***





WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Michael W. McCully, CPA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Board of Aldermen
The City of Holly Springs
Holly Springs, 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, each major fund, and the aggregate remaining fund information of City of Holly Springs, Mississippi as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements, and have issued our report thereon dated February 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Holly Springs, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Holly Springs, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Holly Springs, 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified

certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. **Findings 2017-2 through 2017-6.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Holly Springs, Mississippi's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items. **Finding 2017-1.**

City of Holly Springs, Mississippi's Response to Findings

The City of Holly Springs, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Holly Springs, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

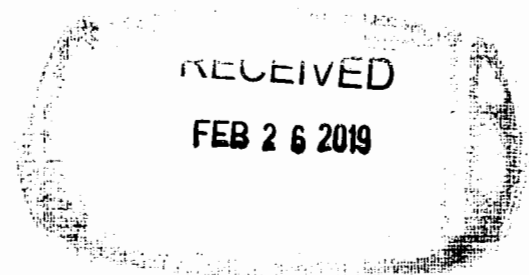
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West Point, Mississippi
February 8, 2019

Watkins Ward and Stafford, PLLC

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





WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

The Honorable Mayor and Board of Aldermen
The City of Holly Springs
Holly Springs, Mississippi

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Springs, Mississippi, as of and for the year ended September 30, 2017, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements and have issued our report thereon dated February 8, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended for the information of the City of Holly Springs' management and the Office of the State Auditor of Mississippi, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

West Point, Mississippi
February 8, 2019

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2017

Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

City of Holly Springs Findings

Borrowing from Restricted fund (Repeat Finding)

2017-1 Statement of Condition

Funds were borrowed by the general fund from funds that are restricted to be used for other purposes. The amount of this loan was \$316,410.

Criteria

Monies in funds legally restricted for other purposes cannot be borrowed for use in the general fund. In addition, any loan must be approved by the board. We cannot find documentation that this was obtained.

Effect

Funds were borrowed between City funds from funds that are restricted to be used for other purposes. At year end, the financial statements present this transaction as a loan to be repaid between the two funds.

Cause

The general fund of the City experienced a shortage of operating cash.

Recommendation

The City should refrain from borrowing for the general fund from restricted funds.

Response

The City was unaware a loan could not be made from the restricted fund. This loan is in the process of being repaid.

Holly Springs Proprietary Funds Findings (Electric, Water, Sewer and Gas Departments)

Audit Adjustments (Repeat Finding)

2017-2: Statement of Condition

Thirty-four adjustments were made to the accounting records subsequent to the start of the auditing process. Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2017

Financial Statement Findings (Continued)

Criteria

The financial statements are the responsibility of the four Holly Springs Utility Departments. Therefore, all adjustments should be completed before preparation of the financial statements.

Effect

The four Holly Springs Utility Department's net income decreased by \$713,858 as a result of these audit entries.

Cause

- a. Beginning trial balances were adjusted to actual.
- b. Cash accounts were adjusted to actual.
- c. Investments were adjusted to actual.
- d. Allowance for uncollectible accounts was adjusted.
- e. Unbilled revenues were adjusted to actual.
- f. Rent receivable was adjusted to actual.
- g. Unamortized debt expense was adjusted to actual.
- h. Capital lease obligation and related accounts were adjusted to actual.
- i. Prepaid expenses were adjusted.
- j. Deferred loss on debt defeasance was adjusted to actual.
- k. Federal grant revenue was not recorded properly.
- l. Accrued salaries were adjusted to actual.
- m. Social Security withholdings were adjusted to actual.
- n. Unearned pole rental was adjusted to actual.
- o. Bonds payable and related accounts were adjusted to actual.
- p. Proportionate share of the net pension liability was adjusted to actual.
- q. Adjustments were made to gas purchased.

Recommendation

The four Holly Springs Utility Department should implement policies and procedures to review all general ledger accounts monthly to insure correctness.

Response

We are reviewing all policies and procedures for the general accounting. In the process, we will be updating the policies and procedures and setting up monthly meetings with the accounting staff to review all general ledger accounts.

2017-3: Perpetual Inventory System Not Maintained (Repeat Finding)

Statement of Condition

The four Utility Departments do not maintain an accurate perpetual inventory system. (Repeat finding).

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2017

Financial Statement Findings (Continued)

Criteria

The four Utility Departments are responsible for maintaining a system which accounts for all materials that are added to the warehouse, as well as all materials that leave the warehouse.

Effect

The four Utility Departments' inventory per the general ledger was understated by \$17,390 prior to inventory test counts being performed.

Cause

Employees are able to remove inventory at any time. As a result, materials are removed from the warehouse without updating each Utility Department's perpetual inventory records or the general ledger.

Recommendation

The four Utility Departments should maintain a record of all materials that are added and taken from the warehouse.

Response

Policies and procedures are being implemented to properly account for materials.

2017-4: Financial Statements Not Provided in a Timely Manner (Repeat Finding)

Statement of Condition

The four Utility Departments of the City of Holly Springs, Mississippi did not provide the necessary financial information in a timely manner.

Criteria

The four Utility Departments of the City of Holly Springs, Mississippi are responsible for providing the financial statements to the auditor in a timely manner so that management can make decisions based upon current operating data.

Effect

Management had no current financial information in order to make financial decisions.

Cause

The accounting staff for the four Utility Departments of the City of Holly Springs, Mississippi, had considerable difficulty completing the reconciliations and finalizing the year-end financial statements.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2017

Financial Statement Findings (Continued)

Recommendation

The four Utility Departments should provide financial statements in a timely manner.

Response

The four Utility Departments will utilize additional help to prepare the financial statements for subsequent years.

2017-5: Revenue Bond Ordinance Requirements (Repeat Finding)

Statement of Condition

The Electric Department of the City of Holly Springs, Mississippi failed to adequately fund the accounts as required by the bond resolutions of its Series 2012 Revenue Bond issue and the Series 2015 Revenue Bond issue

Criteria

The bond resolutions of its Series 2012 Revenue Bond Issue and its Series 2015 Revenue Bond Issue require the Electric Department of the City of Holly Springs, Mississippi to segregate and fund monthly accounts as prescribed by the bond resolutions.

Effect

The Electric Department of the City of Holly Springs, Mississippi has violated the provisions of the Series 2012 Revenue Bond Issue and the Series 2015 Revenue Bond Issue's bond ordinances.

Cause

Adequate deposits as required by the Series 2012 Revenue Bond Issue's and Series 2015 Revenue Bond Issues bond ordinances were unintentionally overlooked.

Recommendation

All required bond related accounts should be adequately funded.

Response

The Electric Department of the City of Holly Springs, Mississippi will fund all accounts relating to the Series 2012 Revenue Bond Issue and Series 2015 Revenue Bond Issue as prescribed by bond ordinances.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2017

Financial Statement Findings (Continued)

2017-6: Interdepartmental Activity not Properly Recorded (Repeat Finding)

Statement of Condition

The Electric Department is responsible for paying all bills incurred by all four departments and collecting the revenue as a means of convenience for all departments. These amounts owed should be reconciled and settled on a monthly basis. This has not been done for the Gas Department.

Criteria

The amounts due to the Electric Department for bills paid and from the Electric Department for collections received is typically a very large amount. These amounts should be reconciled and settlement should be made each month.

Effect

The Electric Department is unable to provide a reconciled balance for the amount due from the Gas Department.

Cause

There is a discrepancy in the amount due from the Gas Department in the amount of \$726,219 that the Electric Department has failed to correct.

Recommendation

The source of the discrepancy needs to be corrected or the amount settled by the Gas Department.

Response

Management is working to reconcile this account and will make the correction as soon as possible.

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CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Prior Audit Findings
For the Year Ended September 30, 2017

City of Holly Springs Findings

2016-1 Borrowing from Restricted fund

Statement of Condition

Funds were borrowed by the general fund from funds that are restricted to be used for other purposes. The amount of this loan was \$241,410.

Recommendation

The City should refrain from borrowing for the general fund from restricted funds.

Status

The City was unaware a loan could not be made from the restricted fund. This loan is in the process of being repaid. This is still a finding in the current year report. See Finding 2017-1.

Holly Springs Proprietary Funds Findings (Electric, Water, Sewer and Gas Departments)

2016-2: Audit Adjustments

Statement of Condition

Thirty-five adjustments were made to the accounting records subsequent to the start of the auditing process. Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.

Recommendation

The four Holly Springs Utility Department should implement policies and procedures to review all general ledger accounts monthly to insure correctness.

Status

Audit adjusting entries were made for the year ending September 30, 2017. This is still a finding in the current report. See Finding 2017-2.

2016-3: Perpetual Inventory System Not Maintained

Statement of Condition

The four Utility Departments do not maintain an accurate perpetual inventory system. .

Recommendation

The four Utility Departments should maintain a record of all materials that are added and taken from the warehouse.

Status

The four Utility Departments still fail to maintain accurate records of all material that are added and taken from the warehouse. This is still a finding in the current year report. See Finding 2017-3.

CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Prior Audit Findings
For the Year Ended September 30, 2017

2016-4: Financial Statements Not Provided in a Timely Manner

Statement of Condition

The four Utility Departments of the City of Holly Springs, Mississippi did not provide the necessary financial information in a timely manner.

Recommendation

The four Utility Departments of the City of Holly Springs, Mississippi should provide the financial statements in a timely manner.

Status

The four Utility Departments still fail to provide financial statements in a timely manner. This is still a finding in the current year report. See Finding 2017-4.

2016-5: Bank Reconciliations

Statement of Condition

The Electric Department of the City of Holly Springs, Mississippi's year-end reconciled balance of several of its cash accounts did not agree with the balance per the financial statements.

Recommendation

The Electric Department of the City of Holly Springs, Mississippi should adequately investigate all variances between reconciliations and general ledger balances and make adjustments as necessary.

Status

This finding was corrected in the current year.

2016-6: Revenue Bond Ordinance Requirements

Statement of Condition

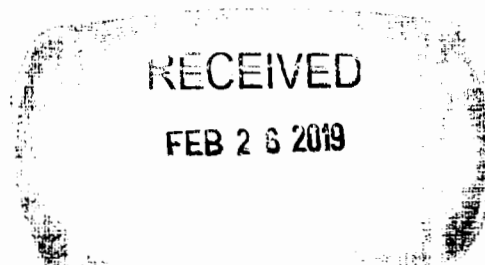
The Electric Department of the City of Holly Springs, Mississippi failed to adequately fund the accounts as required by the bond resolutions of its 2012 Revenue Bond issues.

Recommendation

All required bond related accounts should be adequately funded.

Status

The Electric Department still fails to follow revenue bond ordinance requirements. This is still a finding in the current year report. See Finding 2017-5.



CITY OF HOLLY SPRINGS, MISSISSIPPI
Schedule of Prior Audit Findings
For the Year Ended September 30, 2017

2016-7: Interdepartmental Activity not Properly Recorded

Statement of Condition

The Electric Department is responsible for paying all bills incurred by all four departments and collecting the revenue as a means of convenience for all departments. These amounts owed should be reconciled and settled on a monthly basis. This has not been done for several years.

Recommendation

The current process for reconciling and settling these amounts owed is not functioning as it should; therefore, the Electric Department should no longer be responsible for paying all bills and receiving all collections. Separate clearing accounts should be set up with each Department contributing their share of payroll and operating expenses. Collections by the Electric Department from billings should be settled with each of the other three departments within five days of the end of each month.

Status

The Electric Department still fails to appropriately record its interdepartmental activity. This is still a finding in the current year report. See Finding 2017-6.